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In The Supreme Court of The United States

October Term, 1973

No. 73-187

KEWANEE OIL COMPANY,

Petitioner,

v.

BICRON CORPORATION, et al.,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

BRIEF FOR AMICUS CURIAE ROHR INDUSTRIES, INC.

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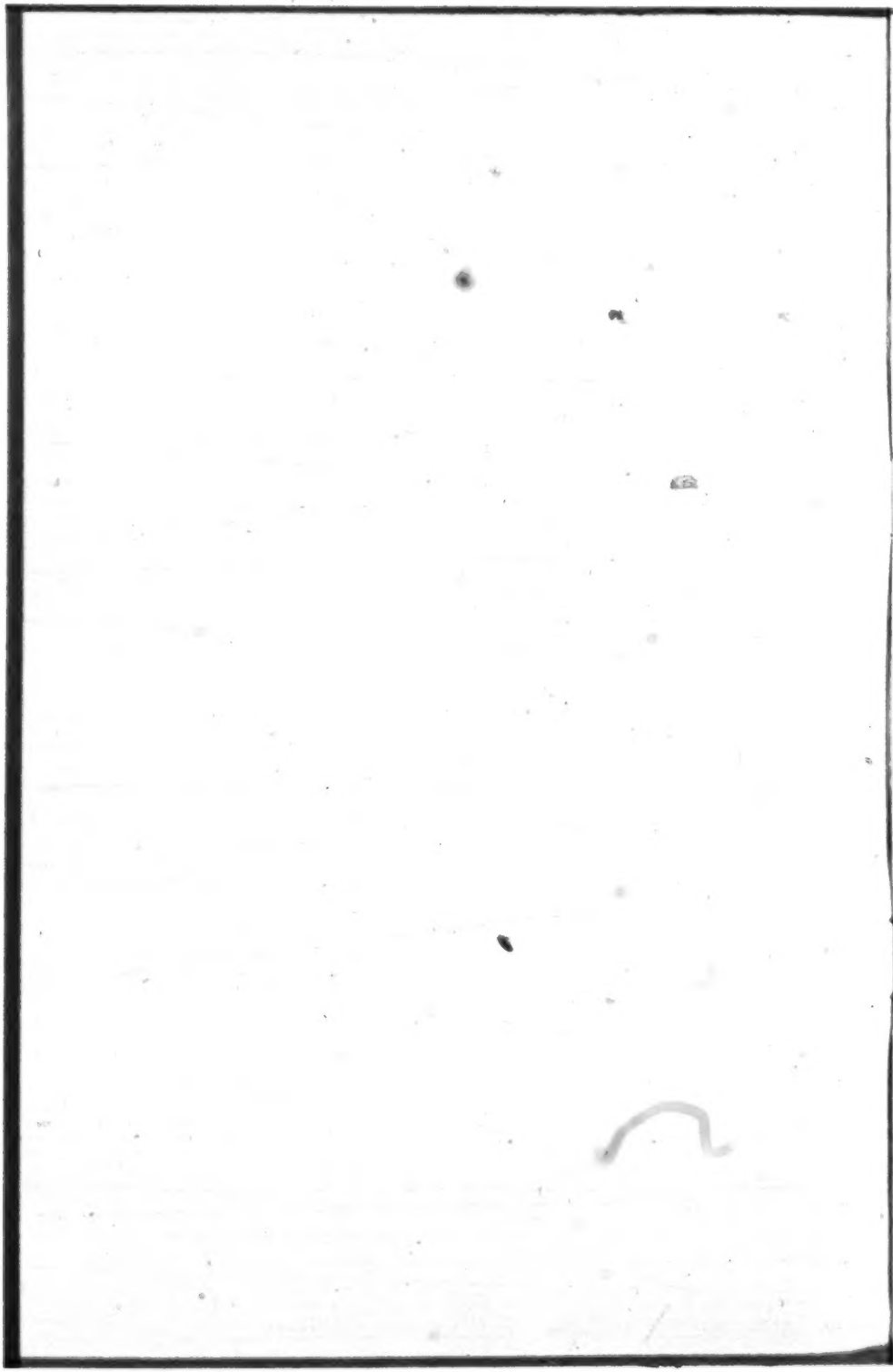

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BRIEF FOR AMICUS CURIAE ROHR INDUSTRIES, INC.

INTRODUCTION

Rohr Industries, Inc. ("Rohr"), as an amicus curiae herein, strongly supports Kewanee Oil Company, petitioner, and urges this court resolve the major constitutional issue posed by the opinion of the Court of Appeals for the Sixth Circuit, holding that the Federal Constitution and the Federal Patent Law preempt Ohio's Trade Secret Law. This decision is an error, and is in direct conflict of the ruling of the courts of appeals of four other circuits.

NATURE OF ROHR

Rohr has been the world's leading producer of aircraft power packages and structures for three decades. Rohr today is a growing and diversified designer and builder of ground transportation systems, industrial products, and marine systems as well as aerospace systems. It maintains manufacturing facilities throughout the United States and in several foreign countries. In 1973 the total assets of Rohr were $234.4 million and its sales were $373 million.

INTEREST OF ROHR

The opinion of the Sixth Circuit, if affirmed, would have a particularly drastic effect on Rohr. Rohr is an aerospace company which has successfully diversified into the commercial market, by becoming a leading ground transportation system manufacturer. In conducting its business, Rohr relies heavily on certain confidential proprietary information of its own and of others. Since confidential technological information could be held in the past as a basic company asset, management could justify continued internally funded research and development and continued investment in capital equipment to put this information to use. If the opinion of the Sixth Circuit is not reversed it would seriously impair the value of existing secret technological information held by Rohr and would have a major adverse effect on the conduct of its business in the future.

QUESTION PRESENTED

1. Whether in view of the power granted to Congress to promote the progress of the useful arts by securing for limited times to inventors the exclusive right to their discoveries by Article I, Section 8, cl. 8 of the Constitution, the Federal Patent Law, 35 U.S.C. §§ 1-293, preempts a State secret law, thereby prohibiting a court under the Supremacy Clause of the Constitution from applying that law to enjoin the disclosure or use of secret technological information that is obtained by improper means and which relates to a "patentable" but unpatented discovery.[1]

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[1] Although the opinion of the Sixth Circuit is subject to the interpretation that preemption reaches only inventions patentable under Sections 102-103 of 35 U.S.C., the import of the opinion, as viewed by a manufacturer holding secret technological information, is that the broader area, the subject matter within 35 U.S.C. § 101 is also preempted. Clearly a preemption of this § 101 scope, "Any new and useful process, machine, manufacture, composition of matter, or any new and useful improvement thereof," would be generic to essentially all technology having value. Any manufacturer holding such secret technological information would have to consider suspect any contractual means of protecting its secret confidential technological information since any party charged with misappropriating such information would contend that it had been patentable but had not been patented within the year following the date of first public use thereby presenting a court with the unpleasant task of determining whether each item of information had indeed been patentable. Since a manufacturer is in the business of making products and not in the business

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ARGUMENT

A. CONGRESS HAS NOT INDICATED THAT THE PATENT ACT IS INTENDED TO BE THE ONLY MEANS OF PROMOTING THE PROGRESS OF THE USEFUL ARTS SO AS TO PRECLUDE A STATE FROM ENACTING SUPPLEMENTARY MEANS OF ACHIEVING THE SAME PURPOSE.

Although the Congress could by the authority granted to it by Article I, Section 8, cl. 8 of the Constitution to promote the progress of the useful arts by securing for limited times to inventors the exclusive right to their discoveries, substantially deprive a state of the power to protect patentable but unpatented secret technological information from being wrongfully appropriated to another's use, it would appear clear that Congress has not so acted. A review of the Patent Act, [2]

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of contemplating at length each item of its technological information and pursuing a massive patent program in an attempt to protect its investment in research and development, it must necessarily treat its secret technological information as generally subject to misappropriation without recourse under the opinion of the Sixth Circuit.

[2] Congress recognized the validity of trade secrets and acted to preserve them in the Patent Act itself. Section 122 of the Patent Act, 35 U.S.C. 122, provides specifically that applications for patents shall be maintained in secrecy (which secrecy may be breached only in unusual circumstances). Section 122 also applies even if the application is ultimately denied or abandoned, Sears v. Gottschalk, 178 U.S.P.Q. 33 (E.D. Va. April 26, 1973).

commentary on its drafting,[3] and other legislation enacted by the Congress,[4] indicates that Congress has not considered the Patent Act to substantially occupy the field to the extent that a state concerned with the same purpose but approaching it in a different manner would be necessarily exercising an authority totally contradictory and repugnant. Even though the authority granted to Congress to promote science and the useful arts, which it exercises by issuing patents, is broad enough so that if exercised could substantially occupy the field and deprive a state of the power to protect unpatented secret technological information, a state at present does retain residual powers relating to the promotion of the useful arts.[5] The enactment of a state trade secret law by a state is a valid exercise of a

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[3] Commentary On The New Patent Act by P. J. Frederico, pp. 1-70, 35 U.S.C.A. 1.

Congressional Intent-Or, Who Wrote The Patent Act Of 1952 by G. S. Rich, Patent Procurement and Exploitation (1963).

[4] See 5 U.S.C. 552 (b); 15 U.S.C. 46 (f), 78 x (a), 1193 (c), 1263 (h), 1401 (e); 21 U.S.C. 331 (j), 458 (a) (5); 33 U.S.C.A. 1320 (d), 1369 (Supp. 1973), 35 U.S.C. 122; 42 U.S.C. 263i(e), 1857 f-5(b).

See generally, Milgrim, Trade Secrets 6.02, 6.03 (1973).

[5] For a consideration of the precepts of retained state powers relating to Art. I, 8, cl. 8 of the Constitution see Goldstein v. California, 41 U.S.L.W. 4829 (U.S. June 18, 1973).

retained power of the state to promote invention and innovation and is not preempted by the Federal Patent Law. Although a state law dealing with the protection of secret technological information could conflict with the Federal Patent Law, the Ohio State trade secret law[6] in question did not since it did not deal with exclusive rights or monopolies for inventors.

Since the Congress and the court[7] have treated trade secret law as a viable body of the law, American industry has relied to a significant degree on the protection of secret technological information by the protection afforded by such law. A tremendous investment in research and development and in capital equipment is based upon the protection which is afforded by such state trade secret laws[8] in conjunction with the protection afforded by the Federal Patent Law. Briefs of bar associations and societies will demonstrate in detail that the instant opinion is erroneous as a matter of law while the remainder of this brief will focus on the very real threat to American industry the adoption of this opinion represents.

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6 13 Ohio Rev. Code Ann. 1333, 51 (Supp. 1972)

7 Dupont Powder Co. v. Masland, 244 U.S. 100 (1917) and Becher v. Contoure Laboratories, 279 U.S. 388 (1929).

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(Continued)

B. ADOPTION OF THE SIXTH CIRCUIT OPINION WOULD DESTROY A VALUABLE RESOURCE OF THIS COUNTRY.

It is not idle speculation that the opinion of the Sixth Circuit, if adopted by the court, would create incredible mischief for American industry and the American economy. An American company does not operate only within the American market, competing only with other American companies, but in reality competes in a world market against other foreign manufacturers. Even when an American manufacturer produces a product only for sale in the American market

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it is not only competing against other American manufacturers but against other foreign manufacturers as well. Foreign manufacturers have lower labor rates and frequently receive benefits directly or indirectly from their governments and if an American manufacturer is successfully competing with such foreign competition, in addition to domestic competition, it has characteristically done so on the basis of superior innovative resources and greater productivity. The incentive for investment in innovation and confidential technological information documenting innovation was justified on the basis that a company could maintain certain of its technological information in confidence and thereby be able to successfully compete.

If the Sixth Circuit is affirmed and a business is unable to protect its confidential technological information,[9] its ability to compete will be seriously impaired and good faith and fair dealing will not only be discouraged but piracy of trade secrets and employees condoned. Thus, an American company would enter into a new era of American business wherein competition would be carried on in an entirely different manner.

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[9] Although the opinion of the Sixth Circuit found only the Ohio Trade Secret law preempted by the Federal Patent Law, it appears clear that the court would also consider employment agreements and any other contractual means of maintaining proprietary technological information in confidence as also preempted. There is no reason to believe that the Sixth Circuit would not mistakedly also consider contractual means of protecting confidential technological information as a means of maintaining exclusive rights or a monopoly on such information.

Although a large company would undergo difficulties from having its secret technological information and employees pirated the real loser in this new era would be the individual and the small company whose business could be totally destroyed by such piracy. A large company would have the resources which it had built up over the years to withstand such attacks but an individual or small business would be completely decimated by the wrongful appropriation of its secret technological information for another's use. Since the Patent Office has been criticized for having too low a standard of invention and patents which are litigated are generally found to be invalid, it would not be realistic to expect the Federal Patent Law to afford protection to innovations of the individual or the small business. It is only through continued protection of secret technological information by trade secret law in conjunction with the Federal Patent Law that an incentive for invention and innovation can be maintained for the private sector of the American economy.

C. AFFIRMANCE OF THE SIXTH CIRCUIT WOULD HAVE A PARTICULARLY DAMAGING EFFECT ON ROHR AS A TYPICAL EXAMPLE OF A COMPANY RELYING ON TRADE SECRET LAW TO PROTECT CONFIDENTIAL TECHNOLOGICAL INFORMATION.

While comment can be made that American industry would be severely damaged by the affirmance of the Sixth Circuit, it is also appropriate to comment upon the direct effect such affirmance would have on the business of Rohr. Rohr is an example of an aerospace company which has diversified into commercial activities while maintaining its interest in the aerospace field. Rohr as an

aerospace manufacturer has a heavy capital investment and employs a number of highly skilled workers and engineers since certain of its products require the utmost reliability, due to their use in airplanes. While protection of inventions is pursued under the Federal Patent Law to the extent that it can be, Rohr holds a large amount of secret technological information relating to certain processes for manufacturing aerospace parts, which information is not patentable under the Federal Patent Law.

In the commercial area, Rohr has become a leading manufacturer of ground transportation systems. At present it is a manufacturer of buses and vans, the supplier of rail transit cars for the San Francisco Bay Area Rapid Transit District (BART), and the Washington, D.C. Metro System (WMATA), and is pursuing advanced transportation systems such as tracked air cushion vehicles, turbine powered trains, magnetically levitated vehicles, and monorail vehicles. These activities are carried on as internally funded R & D projects in addition to projects funded by the Federal government. This investment in internally funded research and development manifests itself in patents and confidential technological information which is contained not only in documentation but in employees' minds. The success of utilizing these assets depends upon the utilization of this secret technological information to create a profit for the company and its shareholders and thereby warrant continued expenditures on inventions and innovations.

If the reliance that has been placed on trade secrets has been misplaced and contracts to maintain proprietary information confidential were to be held unenforceable, the effect upon Rohr would be catastrophic.

The first example of the mischief that affirmance of the Sixth Circuit would visit upon Rohr relates to its invention agreements with its employees. Rohr maintains agreements with each of its employees under which the employee agrees to maintain in confidence during his employment and subsequent thereto certain proprietary information which is imparted to him by the company. The agreement contains no other post employment restrictions. If these employment agreements were to be held unenforceable with respect to the requirement to maintain Rohr proprietary information confidential upon termination of the employment relationship as a result of affirmance of the Sixth Circuit, a competing domestic or foreign business would be free to pirate Rohr's employees by the payment of a higher salary. While many employees would remain loyal, another employer would place a value on an employee's services which would not be commensurate with the value of the services the employee would normally perform but which would be tied to the employee acting as a conduit for the proprietary technological information of his former employer. The piracy of Rohr's employees would cause a corresponding pressure upon it to respond in kind in order to survive in an environment which did not place value upon good faith and fair dealings in business practices. Thus, the incentive to invest in further research and development in aerospace and mass transit vehicles would be totally destroyed since as a practical matter Rohr would be unable to assure protection for even a limited time the fruits of that research and development.

While the patent system does afford a means of protection, this protection is limited by covering only patentable inventions, coming into force after a period of time, and being expensive to procure and uncertain in application. If the Sixth Circuit were to be affirmed,

the Rohr management in fulfilling its responsibility to its shareholders would have to seriously reevaluate its continued expenditure of funds for research and development of alternate means of mass transit and for aerospace systems since there would be only very limited protection provided for the results of such expenditures. Very probably, only very limited funds would be expended toward new innovations and reliance would be placed upon government funded projects.

Another serious consequence of affirmance of the Sixth Circuit would be the impact upon the licensing activities of Rohr. Any company has limited resources with which to pursue research and development projects. However, a company may have a manufacturing facility in which to produce a product, but not have the resources to undertake the innovation of a product to manufacture in its facility. Thus, a company would be agreeable to licensing the use of secret technological information of another company to manufacture the product for sale by it.

While a pole lamp, for example, may be easily reverse engineered and copied for manufacture if not protected by valid patents, it is quite another thing to contemplate the reverse engineering of a mass transit vehicle which incorporates parts and components from several hundred different manufacturers as well as the overall system design by the prime manufacturer. Thus, Rohr was willing to enter into a license agreement with a foreign manufacturer for receiving secret technological information from the foreign manufacturer to produce in one of its facilities an advanced transit vehicle which was heretofore not available in the United States. Considering that the inventions relating to this vehicle, while possibly patentable, are only covered by pending appli-

cations which may not issue as patents, the consideration was the secret technological information which would enable Rohr to manufacture this vehicle.

An obligation undertaken by Rohr in this agreement was to maintain the secret technological information in confidence in order that this information would not become immediately available to competitors of the foreign company after being imparted to Rohr. If the Sixth Circuit is affirmed, there is the immediate problem of fulfilling the obligation of confidence to this particular foreign manufacturer but also whether a future similar agreement could be entered into in good faith with any other foreign manufacturer since Rohr could not fulfill this obligation of confidentiality or, in fact, trust in being able to fulfill a contract for manufacture of the vehicles in the United States due to potential loss of its employees to piracy upon their learning the confidential technological information imparted by the foreign manufacturer.

Similarly, Rohr as the world's leader in the manufacture of modern lightweight rail transit cars entered into a contract with a foreign manufacturer for the licensing of its secret technological information for manufacture of this advanced rail transit car for use in the subway system of a European capitol. Could Rohr contemplate entering into such a license agreement in the future in the event the Sixth Circuit is affirmed? A foreign manufacturer, unless compelled by a duty of good faith and fair dealing prevalent in its own country would certainly consider pirating the secret technological information of Rohr which it had spent millions of dollars in developing, especially since the Federal Patent Law would be of no assistance in protecting the wrongful appropriation of Rohr's secret technological information.

This particular license agreement also requires Rohr to generate additional technological information based on its present information to adopt its car to certain foreign requirements. Rohr would have serious difficulty in justifying the undertaking of such a license agreement in the future as an acceptable business risk since the employees required to generate the additional information as well as perform the "show-how" aspect of the agreement would be subject to raiding at any time by a pirating manufacturer who wished to appropriate Rohr's confidential technological information without due compensation.

If Rohr's confidential technological information were wrongfully appropriated by a competitor of the licensee during the course of this agreement the licensee would understandably not be happy at the prospect of paying license fees for use of this information since its competitor could offer a lower priced vehicle because no license fees would be required. Whether the licensee would continue to pay under these circumstances would be problematical. Thus, Rohr's ability to act as either a licensee or a licensor would be severely impaired if not destroyed.

Another area of future concern for Rohr would be subcontracts. As the world's largest aerospace subcontractor, Rohr performs subcontracts for the nation's airplane manufacturers to build components for commercial airplanes. Obviously, secret technological information is received from these airplane manufacturers in order to perform subcontracts for them. Under the Sixth Circuit decision it would be impossible for Rohr to agree to maintain this technological information in confidence since its employees upon learning of the information would not be bound by enforceable employee agreements from utilizing this information after ceasing

the employment relationship. Unfortunately, imparting secret technological information to a subcontractor would almost be tantamount to a publication.

A further example of an area in which Rohr would be severely injured would be the instance of consultant agreements or agreements to perform research and development on a contract basis. These agreements customarily contain a provision that the party performing the research and development agrees to hold its results in confidence and to transmit them only to Rohr. If the Sixth Circuit were to be affirmed Rohr would be in a quandary as to how to handle these types of agreements. While it is necessary at times to retain consultants for their special skills any special developments by such consultants would be relatively free for disclosure to competitors. It would also be difficult for Rohr to have the work conducted in-house by its own employees since these employees would not be obligated to maintain secret technological information in confidence upon terminating.

In summary, it does not appear that the Congress intended for the Federal Patent Law to preempt the field and that the state has retained residual powers which may be exercised to protect patentable but unpatented secret technological information. The affirmance of the Sixth Circuit would be extremely injurious to Rohr as an example of an American business which relies upon secret technological information and would be extremely damaging to the United States' economy at a time in the history of our nation when good faith and fair dealing should be especially encouraged. It would appear particularly inappropriate for the court to find the state's trade secret laws inoperative to protect secret technological information in the absence of clear

direction by Congress that it had preempted the field, which direction has been clearly lacking in the past.

CONCLUSION

For the foregoing reasons, Rohr submits that the instant opinion erroneously interprets the intent of Congress in exercising its constitutional authority and in order that appropriate incentives for invention and innovation may be preserved, and the progress of science and the useful arts promoted, the judgment of the Sixth Circuit should be reversed.

Respectfully submitted,

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IN THE

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OCTOBER TERM, 1973

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KEWANEE OIL COMPANY, *Plaintiff-Petitioner*

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BICRON CORPORATION ET AL., *Defendants-Respondents*

BRIEF OF THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA AS AMICUS CURIAE

INTRODUCTION

The opinion of the United States District Court for the Northern District of Ohio is not reported, having been sealed by order of that Court since it discusses the trade secrets in dispute. The opinion of the Court of Appeals (A1-A25) is reported at 478 F.2d 1074.

This brief *amicus* on behalf of the Bar Association of the District of Columbia is submitted pursuant to Rule 42(2) of this Court, upon the written consent of both parties, the originals of which are filed herewith.

CONSTITUTIONAL PROVISION INVOLVED

Congress shall have the power

> To promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries (Article I, Section 8, Clause 8)

QUESTIONS PRESENTED

Briefs of other *amici* will urge upon this Court: that there has been neither a Constitutional preemption in the patent clause nor a Congressional preemption in the Patent Code, *sub silentio,* to repeal common law protection for trade secrets; that the decision below is incompatible with the decisions of other jurisdictions; that it represents an improper extension of this Court's holdings in *Sears, Roebuck* v. *Stiffel,* 376 U.S. 225 (1964), and *Compco* v. *Day-Brite,* 376 U.S. 234 (1964), both of which involved matters in the public domain; and that it is at variance with the Court's recent holding in *Goldstein* v. *California,* 412 U.S. 546 (1973), finding neither Constitutional nor Congressional preemption in the Copyright Code of state statutory law relating to writings of authors.

The Association joins fully in each of the above arguments, but will refrain from reiterating them herein. Rather it will present an equally dispositive but more fundamental argument that the States did not surrender to Congress the power to limit the common law rights of owners of trade secrets. The questions the Association will discuss are:

1. At common law, did the owner of a trade secret have a right not to have it converted to unfair competitive use by another by breach of an express agreement under which a confidential relation was established?

2. If so, did the States delegate to the federal government the power to limit, regulate or terminate this common law right?

3. Would the treaty obligation of the United States (the supreme law of the land) under the Paris Convention be violated by the failure to prohibit conversion of trade secrets "contrary to honest practices in industrial or commercial matters"?

INTEREST OF THE ASSOCIATION

The decision below denies relief for breach of a contractual obligation to preserve the confidentiality of a type of industrial property commonly referred to as trade secrets. A substantial number of businesses throughout the United States have heretofore treated trade secrets as important assets. The Association is vitally interested in the impact of this decision on the future business practices throughout the United States and abroad of the clients of the 4,600 members of this Association.

The Court below acknowledges its decision conflicts with the governing decisions in many jurisdictions. Additionally, the decision directly conflicts with the law of the District of Columbia, upholding legal protection of trade secrets. *Underwater Storage* v. *U.S. Rubber,* 371 F.2d 950 (D.C. Cir. 1966); *Aktiebolaget Bofers* v. *United States,* 194 F.2d 145 (D.C. Cir. 1951). The decision puts in question the continuing validity of *Public Affairs* v. *Rickover,* 284 F.2d 262 (D.C. Cir. 1960) vacated other grounds, 369 U.S. 111 (1962), which held that the common law regulates unpublished writings and the federal Copyright Act regulates published writings. The decision addi-

tionally throws into question several provisions of the District of Columbia Code.[1]

More fundamentally, the Association is fearful that a judicial precedent abrogating of one historic common law right today will be applied tomorrow to destroy the equally historic allied right of an author in his unpublished manuscript, or even the right of a citizen in his private papers.

A point of particular interest to the District of Columbia, being a focal point of much international business activity, is that any major change in the jurisprudence of property rights in an international commodity such as trade secrets would substantially affect agreements heretofore entered into between United States citizens and foreigners, to the detriment of the business reputation and financial reliability of our own citizens.

Most importantly, the Association feels it is the duty of the Bar to raise its voice when a decision appears to condone immorality, or dishonesty, whether it be evidenced by disregard of a solemn pledge or flagrant disregard for the acknowledged rights of others.

The Association has no interest in and expresses no view on the facts of record or the private legal rights of the parties hereto.

STATEMENT

A delicate balance between the interests of inventors, employers, employees and the public has evolved from decisions construing the law governing rights in in-

[1] Sec. 22-1202, "If any agent . . . of any association . . . shall wrongfully convert to his own use . . . anything of value, he shall be deemed guilty of embezzlement . . . ." See also Secs. 2-1027, 2-1890, 22-1204, 22-2201, 22-2203, and 22-2205.

ventions. These rights were expressed with clarity by Judge Holtzoff in *Aktiebolaget Bofers* v. *United States,* 93 F.Supp. 131, (D. D.C. 1950), *aff'd.* 194 F.2d 145 (D.C. Cir. 1951):

> "Property rights in an unpatented secret process are circumscribed and limited. The owner of such a process has a right not to have the secret made public by theft, by bribery or stealth, or by breach of a confidential relation, such as that of an employer and employee. The person who obtains the secret in such an illegal manner commits a tort. So long as the secret remains intact, anyone who invades it, is guilty of a tortious act.
>
> "On the other hand, once a secret process becomes public, provided the disclosure is not obtained by unlawful means, the property rights in the secret come to an end. The information that had previously been private is thrown into the public domain. If the person who originally owned the secret desires to maintain a monopoly, he must have recourse to the patent laws . . . ."

The law has likewise carefully balanced the legitimate interests of the employee in utilizing his skills and experience versus the equally legitimate interests of the employer in his peculiar trade secrets which enable him to compete effectively.

The results of this balance of rights are beneficial to all segments of society. Investors, employers and employees may deal openly with one another. Investors need not fear the destruction of their capital, gainful employment is promoted for those of talent and the public is benefitted by new products and services.

The decision below does not question the parameters of the State regulation or assess its benefits. It does

not seek a better balance. Rather, the decision below, on the basis of an assumed federal preemption, cuts asunder these myriad relationships and rights leaving intact no certain residuum of any.

SUMMARY OF ARGUMENT

The common law has historically protected the rights of owner's of trade secrets against theft or breaches of confidence. The complementary common law right of the public to the free use of inventions which would otherwise have passed into the *public domain* has been limited since the Statute of Monopolies by grants of patents to inventors.

In the Constitutional patent clause, the States delegated to the federal government only the power to limit the rights of the public to inventions which have passed into the public domain. No delegation was made by the States of their power to protect or limit the rights of their citizens in trade secrets and no act of Congress has presumed to exercise such a power.

The Constitution requires the Federal and State Governments to abide by treaties as the supreme law of the land. The Paris Convention of 1883 as ratified both on the basis of the text at Lisbon in 1958 and Stockholm in 1967 is such a treaty and requires the Federal and State Governments to provide protection to owners of trade secrets which have been used commercially against dishonest business or commercial practices.

ARGUMENT

I. The Right To Protect Secret Inventions Is Created by Natural Law, Secured by Common Law and Terminated by Publication.

The right of an inventor like those of an author in his unpublished work is a right of natural law.[2] A moment's reflection indicates this is no profound insight. This work, from its creation, is in the sole possession of its creator. It can be alienated only by voluntary act, tortious conversion, or legal fiat.

The common law right of an inventor to practice his invention secretly was recognized by the early English Courts[3] and by Blackstone.[4] The right in America was expressly recognized by both Justice Story[5] and

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[2] Robinson, *Patents for Inventions*, Section 28 (1890) Honorable John J. Parker, *Recurrence to Fundamentals*, 27 J. Pat. Off. Soc'y. 12, 16 (1945). As Noah Webster, the soon-to-be author of the first copyright and patent act, stated:

> "The productions of genius and the imagination are if possible more really exclusively property than houses and land." (American Magazine, February 1788)

[3] *Darcy* v. *Allin*, Noy, Rep. 173 (74 Eng. Rep. 1131, 1137) (1602).

[4] Bl. Comm. 405 (Eighth Ed.),

> "When a man by the exertion of his rational powers has produced an original work, he has clearly the right to dispose of that work as he pleases, and any attempt to take it from him . . . is an invasion of his right of property."

[5] 2 Story's Eq. Jur. Sec. 1283 (14th Ed.):

> "Courts of equity will restrain a party from [disclosing secrets of trade] communicated to him in the course of a confidential employment."

Chancellor Kent[6] and both assumed[7] and stated[8] in early cases before this Court and state[9] and federal[10] courts.

This common law right of a creator is simply not a monopoly.[11] A later creator has an equal right to use of *his* invention[12] albeit identical, and once the invention is published, it passes into the public domain,

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[6] Kent's Comm. 365 (14th Ed.):

> "Another instance of property acquired by one's own act is that . . . of mechanical inventions . . . As long as these are kept within the possession of the author, he has the same right to exclusive enjoyment of them as of any other species of personal property . . . ."

[7] *Wheaton* v. *Peters,* 8 Pet. (33 U.S.) 591, 658 (1834). Justice McLean assumed the common law protection of unpublished inventions, like copyrights, in arguing that the acknowledged loss of protection by publication of the former must result in a similar loss for the latter.

[8] *United States* v. *American Bell Telephone,* 167 U.S. 224, 240 (1897):

> "The inventor is one who has discovered something of value. It is his absolute property. He may withhold knowledge of it from the public . . ."

[9] *Peabody* v. *Norfolk,* 98 Mass. 452, 96 A.D. 664 (1868): "If he invents or discovers, and keeps secret, a process . . . he has a property in it, which a court of chancery will protect . . . ."

[10] *MacBeth-Evans* v. *General Electric,* 246 Fed. 695, 699 (6th Cir. 1917): "MacBeth . . . possessed the right to practice his invention in secret and for profit . . . ."

[11] "Monopoly" derives from the Greek words for *alone* and *to sell.* To use Judge Parker's analogy, *supra* Note 2, the trade secret right is no more a monopoly than is a person's possessory right to wear or to sell his coat.

[12] Writings of Thomas Jefferson (Wash. Ed.) Vol. VI, p. 180 (1814).

and the public at large may use it.[13] The right therefore is part of the common law and is not in derogation of the rights of any member of the public.

II. The States Did Not Delegate Any Power To Regulate Rights in Secret Inventions.

There is no question that the Constitutional patent clause and the successive patent acts changed the common law rights of both inventors and the public. Similarly, there is no question that the founding fathers were aware of the change being made in the common law and were uncommonly able to express their intentions.

Examine the Constitutional patent clause. Did it say the Congress shall have the power to promote the progress of useful arts:

> "by taking at any time from inventors the right to their discoveries."?

To the contrary, the chosen policy and sole Constitutional power given to Congress was to promote the progress of useful arts:

> ". . . by securing for limited times to inventors the exclusive right to their . . . discoveries." [14]

The language is admissible of only one construction. Congress was authorized to "secure", i.e., expand, inventor's common law rights—for a limited time—against both later inventors and copiers. The power given Congress was to *grant* a statutory right to *inventors* (and authors) and to concomitantly *limit* a

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[13] *Wheaton* v. *Peters, supra* at 659.

[14] The Constitution, Article 1, Section 8, Clause 8.

right of the public.[15]—to use that which otherwise would have been in the public domain under the common law.

Were there any question that Congress had the power, or had exercised that power to *limit* common law rights of inventors, surely it would have appeared in the extensive arguments in *Gibbons* v. *Ogden,* 9 Wheat. (22 U.S.) 1 (1824) in which the Court was presented with the Constitutional dimensions of the patent power, as well as the interstate commerce power.[16]

Later, this Court decided *Grant* v. *Raymond,* 6 Pet. (31 U.S.) 218 (1832), which the Court below cites as support for its "taking of common law rights" theory. Justice Marshall's opinion would appear to the contrary: "The purpose . . . *to confer* . . . an exclusive right . . ." (p. 241); "The *public yields* . . . (what it) agreed to yield" (p. 242); and, as quoted in the opinion below, "the means it employs are the *compensation* . . ." (p. 243).

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[15] There can be no question that the English statutory precedents, the Statute of Anne, 8 Anne Chap. 19 for authors, and the Statute of Monopolies, 21 James 1, Chap. 3 for inventors, were solely grants to and not limitations upon authors and inventors. If the Constitution intended to abandon this heritage, would this Court in expounding this Clause of the Constitution have relied on the Statute of Anne in *Wheaton* v. *Peters, supra* at 656, or relied on the Statute of Monopolies in *Pennock* v. *Dialogue* 2 Pet. (27 U.S.) 1, 18 (1829)?

[16] At issue was whether the State grant to the originators of the steamboat conflicted with either the Constitutional interstate commerce power or the patent power. Both issues were extensively argued (although this Court restricted its opinion to the former) and no suggestion of abrogation of common law rights of unpublished inventions was made by either party.

The following year the Court in *Wheaton* v. *Peters, supra,* rested its decision about copyrights on the assumed parallel common law rights of inventors in their unpublished inventions.[17]

The interplay of common law and the patent law was clearly presented in *Gayler* v. *Wilder,* 10 How. (51 U.S.) 477 (1850). From at least 1831 to 1838 one Conner used the invention (a fireproof safe) in his foundry, and its construction was known to the workmen. In 1839, Fitzgerald independently reinvented the safe and obtained the patent in suit. The Court approved an instruction to the effect that if the Conner safe had been forgotten and abandoned, then Fitzgerald was the legal original inventor.

If counsel for defendant had believed that the Court would have accepted the argument that the federal patent laws preempted, limited or terminated the common law rights of Conner in favor of the public, he certainly would have made it. As Conner had failed to apply for a patent, a taking of his rights in his invention, a dedication to the public, would have precluded the later inventor from obtaining a patent.

If a prior secret invention is not dedicated to the public, barring a later patent, then *ex necessitate,* that prior secret invention can vest no rights in a disloyal employee who violates his freely assumed trust.

III. The Right To Copy Does Not Subsume the Right To Convert.

Freedom of competition is a basic political tenet of this country. This Court has correctly found in the

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[17]See Note 7, *supra.*

Constitutional patent clause an expression of public policy consistent with this tenet.

This public policy is that neither Congress, nor the states, may grant a monopoly in lesser inventions, "whose effects are to remove existent knowledge from the public domain," *Anderson's Black Rock* v. *Pavement*, 396 U.S. 57 at 61 (1969). A state may not by law prohibit this copying of what is already in the public domain, *Sears, Roebuck* v. *Stiffel*, 376 U.S. 225 (1964).

Likewise when an invention has passed into the public domain, by being disclosed in an expired patent, a contract prohibiting free use is contrary to the policy of the patent laws. *Scott* v. *Marcalus*, 326 U.S. 249 (1945).

Most recently this Court has held that a patent licensee may contest his liability by asserting the knowledge was in the public domain. *Lear* v. *Adkins*, 395 U.S. 653 (1969). In this Court's words:

> "Enforcing . . . would undermine the strong federal policy favoring the full and free use of ideas in the *public domain.*" (Emphasis added.)

Each of these decisions has adhered to an uncompromising standard which is that once an invention is (1) in the public domain, and (2) either beyond the patent term or below the patent standard, neither State action nor private contract can bar the complete freedom of use by the public of the invention.

No prior decision of this Court, however, has limited the common law rights for unpublished inventions (or writings) not in the public domain.

In this case a State statute expository of the common law is involved. The ambit of both the statute

and the common law only reach but do not go beyond the boundary of publication.[18]

The federal policy is to encourage the inventor to cross that line in a timely manner. Once he has made that fateful step, he acquires all of the statutory benefits and is subject to all of the limitations of federal policy. Until that point, he is within the purview of historic common law and recent expository State regulations.

IV. The Decision Below Conflicts with the Paris Convention

To the extent that there is any preemption of the subject matter of the present litigation, it could exist only under Article VI of the Constitution of the United States, which provides that treaties shall be the supreme law of the land. The 1958 Lisbon Ratification of the Paris Convention of 1883, 13 U.S.T. 1, includes Articles 10 (bis) obliges the Federal Government as well as the states to grant relief for "acts contrary to honest practices in industrial or commercial matters . . . ."

Since the common law in the United States as pronounced in many Federal Circuit Court and State Court opinions (other than the opinion under review) already provides protection against dishonest practices such as violation of the confidentiality of trade secrets, no enabling legislation, either state or federal, is re-

[18] If a party enters into a contract for the use of a property right and thereafter converts the property to his own use outside the terms of the contract, action lies at law for the breach. On the other hand, if the property is so used as to compete unfairly with the owner of the property in the course of the breach, an action also lies in tort for the conversion. In either case, the wrongdoer cannot be allowed to profit from his own dishonest act.

quired to implement Article 10 (bis) of the Paris Convention. *Bacardi Corp.* v. *Domenech,* 311 U.S. 150, 161 (1940). Therefore, that provision of the Treaty was self-executing upon ratification.

Failure to protect the owners of trade secrets from conversion by a party in contractual privity with the owner is clearly an act "contrary to honest practices in industrial and commercial matters" within the meaning of the Paris Convention and should, therefore, be enjoined.

THE PRACTICAL CONSEQUENCES

Leaving aside the theoretical legal problems, there are several practical problems this decision creates, which this Association in its position as *amicus* desires to discuss with the Court.

A. Unsettled Contractual Rights

Virtually all scientists and engineers and a vast number of businessmen are today subject to one or more confidential disclosure agreements, either by formal contract or by force of law. Indeed, every employee, those of this Court not excepted, is under a heretofore unquestioned duty of loyalty to his employer's confidences. This decision draws no clear line identifying those very personal relations which are severed. The decision will unsettle a vast number of private dealings affecting people of all stations in life.

B. A Compulsory Patent Right

The common law rights of inventors are benign rights that impinge on no other person's rights. Relying on such rights many manufacturers decide to forego patent protection when they create some-

thing of value, thereby allowing their competitors, who divine it by fair means, unfettered use of it. They are subject to no legal expense and neither are their competitors, for one can never infringe on another's common law rights with one's own legitimate discoveries.

The decision below mandates that every businessman subject himself to the expense and uncertainty of the statutory patent right to prevent theft or embezzlement. If he succeeds, he has acquired at considerable expense a right of exclusion which he never really wanted. What public policy is promoted by encouraging a flood of patent applications on *these* inventions?

The burden on the businessman, the Goverment, the Courts, and the public of the *mandatory* patenting to prevent piracy are too clear to require explication.

C. A Regressive Step

We pride ourselves on being a law abiding people. This decision below says nothing less than we are fools for trusting others and our employees are fools for not violating our confidences to their profit. The consequence of this retreat from the rule of law is apparent. Communications will be stifled. Expensive and inhibitory security will be mandatory. Suspicion will replace trust. The law will be held in contempt by the law abiding as well as the lawless.

D. Out of a Wrong, No Right . . .

In what book or place may the public find these secrets of plaintiff? In what Court and by what form of pleading does the public exercise its rights to them?

The answer of the decision below is in the Court of Self-help by the action of breach of duty and embezzlement.

The Record of the District Court is quite properly sealed. The net effect, however, is to give defendant what no other member of the public has or can by legitimate means obtain. It is a title based solely on fraud, fully as effective against the public as is that of the original owners.

An equal vice of this decision is it effectively confirms rights to the architects and directors of frauds such as these while this Court condones retaining the sanctions of the criminal laws, against those who commit similar wrongs against the property rights of others, e.g., *Goldstein* v. *California, supra, Greenwald* v. *United States,* No. 73-24 (Sup. Ct. *cert. den.* Oct. 9, 1973)

CONCLUSION

The decision of the Court below should be reversed.

Respectfully submitted,

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No. 73-187

KEWANEE OIL COMPANY, *Petitioner*,

v.

BICRON CORPORATION, ET AL., *Respondents*.

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

BRIEF FOR AMICUS CURIAE MANUFACTURING CHEMISTS ASSOCIATION

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Doerfer, "The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy," 80 Harv. L. Rev. 1432 (1967) 14, 35

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National Science Foundation, *Research and Development in Industry 1971,* NSF 73-305 (1973) 3, 4

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2 Story, *Equity Jurisprudence* § 952 (1st ed. 1836) ... 11

Wallich, "The Employment Act Objectives—After 20 Years," Joint Economic Comm., 89th Cong., 2d Sess., *20th Anniversary of the Employment Act of 1946: An Economic Symposium* (Comm. Print, Feb. 23, 1966) 3

IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-187

KEWANEE OIL COMPANY, *Petitioner,*

v.

BICRON CORPORATION, ET AL., *Respondents.*

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

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BRIEF FOR AMICUS CURIAE MANUFACTURING CHEMISTS ASSOCIATION

INTRODUCTION

Manufacturing Chemists Association ("MCA") is filing this brief *amicus curiae* with the consent of all parties. Letters evidencing such consent have been filed with the Clerk of this Court.

The Court of Appeals for the Sixth Circuit has ruled that the trade secret law of the State of Ohio—and, by

the Court's reasoning, of the other States which have similar laws—is preempted by the United States Constitution and the Federal patent law. *Kewanee Oil Co.* v. *Bicron Corp.*, 478 F. 2d 1074 (6th Cir. 1973). This Court has issued a Writ of Certiorari to the Sixth Circuit to review that opinion.

MCA submits that the opinion of the Court below is erroneous as a matter of law and public policy and would, if upheld by this Court, have a significant adverse effect on business customs and ethics, the continued vitality of the chemical industry, and the health of the American economy generally. Accordingly, MCA vigorously supports the position of Petitioner, Kewanee Oil Company, and urges this Court, in accordance with its earlier decisions and those of the Courts of Appeals of the Second, Fourth, Fifth, and Ninth Circuits, to reverse the opinion of the Sixth Circuit.

INTEREST OF MCA

MCA is a non-profit trade association of more than one hundred seventy companies, large and small, engaged in manufacturing industrial chemicals and allied products.[1] MCA member companies account for more than 90 percent of the production capacity for basic industrial chemicals in this country. Total shipments of chemicals and allied products in the United States in 1972 were valued at more than $57,000,000,000.

The opinion of the Court below, if upheld by this Court, would have a particularly damaging effect on the chemical companies of the United States. Technology is the very business of these firms. In 1971, for

[1] A list of MCA's members is set forth in Appendix A to this Brief.

instance, chemical manufacturers alone financed $1,703,000,000 worth of research and development.[2] Chemical companies' profits are derived from and depend upon their advancing technology, improving manufacturing processes, and developing new and improved products. In devoting the large amount of funds they do to technological research and invention, chemical companies rely not only on patent protection but also on the sanctity of trade secrets, the protection granted them, and the binding nature of contracts relating to them. These trade secrets are estimated by MCA members to be worth billions of dollars.

If the opinion of the Sixth Circuit should be upheld by this Court, it would substantially undermine, and perhaps destroy, the value of existing technological secrets. It would have a major adverse effect on the future conduct of research by the chemical industry, as well as industry generally, with detrimental effects upon the entire American economy and society. For the innovations, developments, and other improvements which result from research are critical to the growth of the American economy.[3]

The amount of money spent on research and development in this country has grown immensely in the past two hundred years. In recent years, the upward trend is dramatic. Between 1955 and 1971, the total of such

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[2] National Science Foundation, *Research and Development in Industry 1971* NSF 73-305, at 36, 37 (1973).

[3] "The principal factors through which a free market promotes growth are investment in plant and equipment, and *research leading to technological advance.*" Wallich, "The Employment Act Objectives—After 20 Years," Joint Economic Committee, 89th Cong., 2d Sess., 20th Anniversary of the Employment Act of 1946: An Economic Symposium 12, 14 (Comm. Print, Feb. 23, 1966) (emphasis added).

expenditures quadrupled, increasing from $4,640,000,000 to $18,314,000,000.[4] Industry financed $10,974,000,000 of the 1971 total (or 60 percent).[5] The National Science Foundation has estimated that industry financing of research and development will increase to approximately $14,000,000,000 by 1975.[6]

Certainly, firms would not undertake such investments if they did not expect to benefit from the results. And trade secret protection is, as the President's Council of Economic Advisers recently pointed out, an important legal mechanism for enabling the entrepreneur to benefit from his efforts; it permits him "to internalize benefits that otherwise would accrue outside his firm."[7]

There are no publicly available data which show the proportion of innovations protected by trade secret laws. Two commentators, however, have estimated that:

> "[T]he volume of proprietary information classifiable as *trade secrets* . . . [has] *increased prodigiously in the past generation* . . .
>
> "*The order-of-magnitude increase in the inventory of trade secrets* . . . is traceable, in large part, to the impressive gains made in research and development activity, under both private and public auspices, since World War II. These gains have been accompanied by significant growth in the number of scientists, engineers, and technical

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[4] National Science Foundation, *Research and Development in Industry 1971, supra,* at 26.

[5] *Id.* at 26, 37.

[6] National Science Foundation, Science Resource Studies Highlights, NSF 73-301, at 1 (1973).

[7] *Economic Report of the President, Transmitted to the Congress January 1972* 127 (1972).

> support personnel engaged in industry. *Billions of private dollars,* in addition to larger sums of public money, have come to be spent annually in the design, realization, and improvement of processes and products destined for business, Government, and households."[8]

But dollar volume is not the only measure of the value of trade secrets in the chemical industry and industry generally. Trade secret laws are an affirmative factor in stimulating competition. Firms rely on their protection in deciding to engage in expensive research in order to develop for their own benefit more efficient processes or newer, better, or cheaper products than those of their competitors. "[T]rade secrets constitute one of the innumerable fields in which positive competition operates in our kind of society."[9] The important form of competition, as Professor Schumpeter has emphasized, is "the competition from the *new commodity,* the *new technology,* the new source of supply, the new type of organization . . . competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of existing firms but at their foundations and at their very lives."[10]

The greater the number of companies which engage in research and development efforts, the greater are the opportunities to develop improved products or substitute products, with an accompanying improvement in general economic well-being. The multiplying

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[8] Harris and Siegel, "Trade Secrets in the Context of Positive Competition," 10 *Idea* 297, 308 (1966) (emphasis added).

[9] *Id.*

[10] Schumpeter, *Capitalism, Socialism and Democracy* 84 (3d ed. 1950) (emphasis added).

numbers of new or substitute products developed in the chemical, drug, and electronics industries point to the advantages of having many firms— large and small— engaged in research activities. Moreover, new products make possible competition across existing industry lines as well as within an industry, as the development of plastics and synthetic fibers has so well demonstrated.

As shown below, the Sixth Circuit's opinion, if upheld, would apply to such a broad range of technological information (*i.e.* "patentable" subject matter) and would foster such a wide range of improper conduct that its effect would be devastating. It would directly jeopardize billions of dollars worth of technological secrets, which have been developed in reliance on the validity of trade secret laws and judicial decisions upholding such laws, and which would immediately become subject to misappropriation with impunity. Its inevitable result would be the technological rape of the chemical and other vitally important segments of American industry.

An even more basic consequence of this destruction of trade secret protection would be prospective. It would reduce the amount of research conducted in those technological areas where a firm does not believe the results will qualify for a patent. A firm is less likely to spend millions of dollars to develop know-how—and the variety of minor improvements of that know-how which make it continuingly current and valuable—if the law should permit another person or company to pirate it with impunity. As a result, research efforts would almost certainly be reduced or at least focused primarily on areas which management believed would yield inventions that could be protected with patents.

Yet the fact that an invention may satisfy the criteria for the grant of a patent does not necessarily mean that it is more valuable, or even more ingenious, than if a patent may not be granted. Thus, under the decision below, the allocation of resources for research and development would be determined not by the requirements of technology and the discipline of economics, but by the arbitrary diktats of uncertain law. The reduction or rechanneling of research would tend to reduce competition (and thus have a leveling effect among firms), slow technological progress, and impede the growth of the economy.

In addition, the relative position of the American economy in the world would deteriorate. The effect of the instant opinion would not be limited to the misappropriation of trade secrets by American individuals or companies. It would permit foreign competitors to obtain technological secrets of American firms by means heretofore judged to be improper, while the foreign firms would be able to maintain the secrecy of their own information. At the same time, the foreign firms would retain the incentive to continue investing in technological research, and the incentive of American companies to keep abreast would be reduced. The net result would be the unjust enrichment of foreign competitors at the expense of American industry, the export of fewer American goods—but more American jobs—and a severe deterioration in America's balance of payments position.

SUMMARY OF ARGUMENT

The Sixth Circuit opinion removes the protection the law traditionally has afforded trade secrets. It encourages and rewards industrial espionage and other forms of predatory conduct which heretofore have

been considered improper. As a result, it jeopardizes the continuing viability of all technological trade secrets and, if upheld, would destroy a legal and economic framework on which American industry has long relied.

The opinion below is totally without precedent, and contravenes the applicable law enunciated by this Court and by the Courts of Appeals of four Circuits. In particular, the most recent decisions of this Court that might be deemed relevant, and which were relied upon by the Sixth Circuit, provide no support for its opinion.

The Constitution did not remove from the States the authority to protect trade secrets by law. The only remaining question, then, is whether such laws must be preempted by the Federal patent law. A State law will be held to be preempted only if there is a compelling reason to do so; this Court will not struggle to find preemption. Here, there can be no doubt that a holding of preemption is neither required nor warranted.

The trade secret laws do not conflict with the patent law. They do not apply to, and thus in no way restrict, the operation and effectiveness of a patent granted on a particular invention. The protection they offer does not conflict with the policies of the patent law. Trade secret laws merely protect private information from use or disclosure by improper means, as other laws prevent the taking of tangible property by improper means.

Trade secret laws grant no monopoly and no exclusive right, as the patent law does. Any person who by fair means makes or learns of a discovery which is the subject of another person's trade secret can use it. The

patent law, on the other hand, grants the inventor the right for seventeen years to exclude all others from using the patented invention even if another person discovers it independently.

The Court below found a supposed conflict with the patent law in that the trade secrets in issue had been in commercial use for more than one year. To be sure, an invention which has been in commercial use for more than one year is ineligible for a patent, because it is deemed to have been in "public use" as that term is used in the patent law. It may be argued here, however, that commercial use for more than one year places an invention in the public domain, and thus that trade secret protection of it conflicts with the patent law. But this assertion would be erroneous. An invention which has been used commercially but in secret for more than one year is *not* in the public domain.

Congress has provided that in exchange for the benefits conferred by the grant of a patent, the inventor must disclose his invention to the public. But there is no policy in the patent clause of the Constitution or in the patent law which requires that non-patented information be made public. An inventor is entitled, if he elects to forego patent protection or is unable to obtain it, to try to keep his invention secret. The patent clause grants Congress no authority to require inventors who do not obtain a patent to reveal their private information; and Congress, in almost 200 years of patent history, has not attempted to exercise any such authority.

Congress thus has manifested no intention that the trade secret laws be preempted. Indeed by numerous enactments, including a provision of the patent law itself, Congress has expressed its desire that trade

secrets be respected and that the laws protecting them should be observed by the Federal Government.

ARGUMENT

I. THE OPINION OF THE SIXTH CIRCUIT WOULD UPSET LONG-STANDING LEGAL PRINCIPLES AND INDUSTRIAL PRACTICES TO THE SERIOUS DETRIMENT OF AMERICAN INDUSTRY AND THE NATIONAL ECONOMY.

A. Protection of Trade Secrets is a Longstanding Principle of the Common Law.

Ohio's trade secret law provides, by statute, that no person:

> (a) "shall, with intent to deprive or withhold from the owner thereof the control of a trade secret, . . . obtain possession of . . . a trade secret" or
>
> (b) "having obtained possession of an article representing a trade secret or access thereto with the owner's consent, shall convert such article to his own use or that of another person . . ."[11]

Criminal penalties are prescribed for violations of these provisions.[12] Injunctions may also be obtained; in particular, an employer may obtain an injunction to bar a former employee and his new employer (like Respondents in the instant case) from disclosing or using trade secrets learned by the departed employee in the course of his employment.[13]

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[11] 13 Ohio Rev. Code Ann. § 1333.51 (Supp. 1972). See also *W. R. Grace & Co.* v. *Hargadine*, 392 F.2d 9 (6th Cir. 1968), and authorities cited therein.

[12] Ohio Rev. Code Ann. § 1333.99(E) (Supp. 1972): "Whoever violates section 1333.51 of the Revised Code shall be fined not more than five thousand dollars, imprisoned not less than one nor more than ten years, or both."

[13] *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 192 N.E. 2d 99 (Ct. App. 1963); *Curry* v. *Marquart*, 133 Ohio St. 77, 79, 11 N.E. 2d 868, 869 (1937) (dictum).

This statute codifies a doctrine of the common law that has long been in effect in Ohio,[14] and in other States, and adds criminal sanctions. The genesis of this doctrine lies so early in our law that it cannot be identified with precision; but it clearly lies deep in the roots of the common law.[15] As the opinion of the Sixth Circuit recognized, 478 F. 2d at 1080-81, English cases affirming the validity of trade secret protection can be found as early as 1820, *Yovatt* v. *Winyard*, 1 Jac. & W. 394, 37 Eng. Rep. 425 (Ch. 1820).[16]

Similarly, the early cases in the United States demonstrate the strength of this doctrine as a long-standing principle of common law.[17] As such, trade secret protection presumably is provided by every State; in at least thirty-six States it has been speci-

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[14] See *Cincinnati Bell Foundry Co.* v. *Dodds*, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887).

[15] A similar doctrine was recognized in the Roman Empire, A. Schiller, "Trade Secrets and the Roman Law; The *Actio Servi Corrupti*," 30 Colum. L.Rev. 837 (1930).

[16] See also, *Newbery* v. *James*, 2 Meriv. 446, 35 Eng. Rep. 1011 (Ch. 1817); *Williams* v. *Williams*, 3 Meriv. 157, 36 Eng. Rep. 61 (Ch. 1817); *Abernethy* v. *Hutchinson*, 3 L.J. Ch. 209, 213, 219, 47 Eng. Rep. 1313 (Ch. 1825) (literary property); *Cholmondeley* v. *Clinton*, 19 Ves. 261, 34 Eng. Rep. 515 (Ch. 1815) (client secrets obtained by solicitor in confidence).

[17] See, *e.g.*, *Peabody* v. *Norfolk*, 98 Mass. 452 (1868); *Jarvis* v. *Peck*, 10 Paige 118 (N.Y. Ch. 1843); *Hammer* v. *Barnes*, 26 How. Pr. 174 (N.Y.S.Ct. 1863); and 2 Story, *Equity Jurisprudence* § 952 (1st ed. 1836), wherein Justice Story stated the established rule:

> ". . . Courts of equity will restrain a party from making a disclosure of secrets, communicated to him in the course of a confidential employment. And it matters not, in such cases, whether the secrets be secrets of trade, or secrets of title, or other secrets of the party important to his interests."

fically recognized by the courts.[18] The Restatement of Torts, moreover, affirms trade secret protection:

> "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him . . ." Restatement of Torts § 757 (1939).

At least twenty-one States, in addition, have enacted statutes adding criminal law sanctions to the common law protection.[19]

This Court has recognized the laudable policies behind State trade secret laws on numerous occasions. In *Fowle* v. *Park,* 131 U.S. 88, 97 (1889), it upheld a contract involving a secret formula for the production of a medicine because "[t]he policy of the law is to encourage useful discoveries by securing their fruits to those who make them." And in *Board of Trade* v. *Christie Grain & Stock Co.,* 198 U.S. 236, 250 (1905), Justice Holmes analogized market quotations to trade secrets and said that the originator had "the right to keep the work which it has done, or paid for doing, to itself. The fact that others might do similar work, if they might, does not authorize them to steal the plaintiff's."

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[18] Citations of opinions recognizing the law of trade secret protection in all contexts, including non-technological ones, are set forth in Appendix B to this Brief. In no state has a case been found rejecting or disapproving the doctrine.

[19] Such statutes are listed in Appendix C to this Brief. Included among the States enacting such legislation are major industrial States like California, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, and Wisconsin.

In *Dr. Miles Medical Co.* v. *John D. Park & Sons Co.*, 220 U.S. 373 (1911), Justice Hughes, speaking for the Court, had to distinguish the privileges attached to a trade secret from those conferred by a patent. The former were described as follows:

> "The complainant relies upon the ownership of its secret process and its rights are to be determined accordingly. Anyone may use it who fairly, by analysis and experiment, discovers it. But the complainant is entitled to be protected against invasion of its rights in the [secret] process by fraud or by breach of trust or contract." 220 U.S. at 402.

In *E. I. du Pont de Nemours Powder Co.* v. *Masland*, 244 U.S. 100, 102 (1917), Justice Holmes, speaking for the Court, affirmed the grant of an injunction against the disclosure of a trade secret to the defendant's expert witnesses in the course of litigation and said that an employee "shall not fraudulently abuse the trust reposed in him." The Court in *Becher* v. *Contoure Laboratories, Inc.*, 279 U.S. 388, 391 (1929), recognized a cause of action against an employee for his "breach of a contract or wrongful disregard of confidential relations . . ." Finally, in *United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933), the Court held that the inventor "may keep his invention secret and reap its fruits indefinitely."

B. The Opinion Below Would—and in the Present Case, Does—Reward Dishonest and Immoral Conduct.

The trade secret laws are intended and have long been invoked to foster the "old fashioned" commercial values of good faith, honesty, and fair dealing.[20] Thus,

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[20] See, e.g., *du Pont de Nemours Powder Co.* v. *Masland, supra*, at 102; and Restatement of Torts § 757, comment *a* (1939).

they provide a remedy against the taking of valuable trade secret information by breach of contract, theft, or breach of trust.[21] As one court has emphasized, it would be improper for the courts to fail to lend their assistance in protecting against such predatory practices:

> "It would be a reproach to any system of jurisprudence to permit one who has received a disclosure in confidence to thus appropriate the ideas of another without liability for the wrong." *Hoeltke* v. *C. M. Kemp Mfg. Co.*, 80 F.2d 912, 923 (4th Cir. 1935), *cert. denied*, 298 U.S. 673 (1936).

The opinion below, however, would promote and encourage a completely different attitude toward private information. Employees who have learned technological secrets by virtue of their employment in a fiduciary capacity with a firm which had financed a discovery would be free to leave that firm, taking its secrets with them—and then exploit that confidential information to their own unjust enrichment in competition against their former employer (as did the Respondent employees in the present case).

The decision would also reward the diverse other forms of improper conduct which trade secret laws seek to prohibit. The rationale of the opinion of the Sixth Circuit would permit—indeed encourage—the disclosure and use of misappropriated "patentable"[22] but unpatented trade secrets, even if the wrongdoer could be prosecuted under the general criminal law.

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[21] See, e.g., G. Doerfer, *"The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy,"* 80 Harv. L. Rev.1432, 1448 (1967).

[22] See discussion of this term, as used by the Court below, at pp. 16-19, infra.

For instance, an industrial spy who broke into a company's safe and photographed a secret formula might be prosecuted for breaking and entering, but absent effective trade secret protection, would be able to exploit the purloined information.

The applicability of the criminal sanctions of the trade secret law enacted by Ohio and by many other States would, it seems, depend on whether the malefactor was fortunate enough to misappropriate "patentable" trade secrets rather than those that were "unpatentable." The "patentable" nature of the material stolen—surely a novel question for the State criminal courts—rather than the intent of the wrongdoer, apparently would determine his fate.[23]

These are not mere abstractions: even under the present law the threat that trade secrets may be stolen is a very real one. Industry spends millions of dollars per year to maintain their security. For, "the need to remain technologically competitive has made industrial theft an attractive alternative to expending funds for research; and research has produced an ever more sophisticated array of technical devices to facilitate theft."[24]

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[23] And if a person were indicted under one of the twenty-one statutes listed in Appendix C, would the prosecution be required to prove non-patentability beyond a reasonable doubt? Would a person who Xeroxed technological trade secret information eleven months and twenty-nine days after the trade secret was used commercially be a felon, whereas another person performing precisely the same act twelve months and one day after such use would be innocent?

[24] Note, "Theft of Trade Secrets: The Need for a Statutory Solution," 120 U. Pa. L. Rev. 378 (1971). A graphic example of the problem posed to industry is found in *E. I. du Pont de Nemours & Co.* v. *Christopher*, 431 F.2d 1012 (5th Cir. 1970). DuPont

C. The Opinion of the Sixth Circuit Would Have Serious Adverse Effects.

1. The decision applies to every trade secret of a technological nature.

The opinion of the Sixth Circuit is broad in scope. In using the term "patentable" to describe the inventions to which its opinion is applicable, it is apparent that the court below encompassed all discoveries relating to the types of subject matter with which the patent law is concerned (35 U.S.C. § 101 (1970)), even though, in actuality, the inventions may not be eligible for the grant of a patent under the specific criteria of that law (35 U.S.C. §§ 102, 103 (1970)). In other words, the effect of its ruling is not limited to those particular inventions which, if pursued in the Patent Office, would result in the actual grant of a patent. As the Court stated, its decision applies to inventions

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had developed, by expensive and time-consuming research, a secret process for the production of methanol. Christopher flew over the DuPont plant while it was under construction and took aerial photographs which revealed DuPont's trade secret. In granting relief under the trade secret law, the Court held that "espionage was an improper means of discovering DuPont's trade secret." The court stressed that "we introduce here no new or radical ethic since our ethos has never given moral sanction to piracy." 431 F.2d at 1017, 1016-1017.

See also, *Telex Corp.* v. *IBM Corp.*, Civil Nos. 72-C-18 and 72-C-89 (N.D. Okla., filed Sept. 17, 1973; amended Nov. 10, 1973) (reported in *CCH Trade Reg. Rep.* No. 91, pt. 2 (Sept. 24, 1973)), wherein the court awarded damages of $21,900,000 to IBM on its counterclaim as a result of Telex's obtaining IBM trade secrets by a "massive and pervasive program designed to induce the breach of known obligations of IBM employees or former employees" in violation of the trade secret law of Oklahoma (Conclusion of Law C45). Telex offered extremely large salaries, bonuses (including one of $500,000—the largest bonus in the history of the company), and stock options in order to hire key IBM employees who would reveal IBM trade secrets (Findings F132-F168).

which are "appropriate *subjects for consideration* under the provisions of Title 35 U.S.C. § 101."[25]

Because the opinion below applies to anything and everything falling within the "subject matter" jurisdiction of the patent laws, it would, if affirmed, apply to every advance in the extensive field of technology and thus, in effect, jeopardize the value of all secret technological information. [26] It would, for instance, apply to every minor refinement in the design of a machine and to every small improvement in a manufacturing process, commonly referred to as "know-how"—which, although new, useful, and valuable, may not be eligible for a patent because it is "obvious" in terms of the patent law.

In the chemical industry, where multistep processes and procedures are common, the judicious combination of "obvious" modifications in individual steps often entails the expenditure of considerable amounts of time and money and confers significant technical and economic advantages—and yet may not satisfy the specific requirements for a patent.[27] The instant opinion would deny the company which invested the funds,

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[25] 478 F.2d at 1078 (emphasis added). 35 U.S.C. § 101 (1970) provides that a patent may be obtained, "subject to the conditions and requirements" of other sections, on "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof . . ."

[26] The decision, of course, does not apply to non-technological secrets, such as customer and supplier lists, marketing projections, and advertising strategies.

[27] Examples are such engineering details as tolerances in forming machine parts, the choice of construction materials, the relative sizing of vessels and pipes, operating conditions for each step of a chemical process, and analytical procedures.

energy, and skill to develop such a technological advance the ability to protect the secrecy of its discovery (after only one year of commercial use) against disclosure to competitors by surreptitious means.

In other words, the Sixth Circuit holds that the patent law prevents a State from protecting a trade secret even if the patent law itself provides no protection.

It may be argued that the Sixth Circuit did not intend its opinion to apply to the entire "subject matter" jurisdiction of the patent law, but only to inventions on which patents could have been obtained, but were not. Even so, the effect of the decision would be severe, and its implementation impossible.

The difficulties—and they are legion—are readily apparent. For instance, an inventor who had not applied for a patent would not know if he held a valid trade secret; that question could be resolved in his favor only by a court's determination, perhaps many years after the event, that he could not have obtained a valid patent. Or an inventor might have been denied a patent by the Patent Office and relied on the trade secret law, only to learn years later, in litigation on the validity of his trade secret, that a patent should have been granted to him—and thus that the trade secret law was preempted as it applied to his invention.

Under such an interpretation of the opinion below, any court in the nation, Federal or State, could be called upon to determine if an invention protected by a trade secret was "patentable"—often without the preliminary determination of the Patent Office. The issue of patent validity is presently a major source of litigation, mainly in the Federal Courts, and raises

complex questions for the courts, even though they have the benefit of the expertise of the Patent Office. If that issue were to be interjected into every case involving the validity of a technological trade secret, the scope, complexity, expense, and uncertainty of trade secret litigation would be greatly increased. In addition, State courts would be called upon to determine whether an inventor was entitled to a patent in many more instances than at present.

What standards would the courts apply in such a Herculean effort? Would they, for instance, employ the criteria for obtaining a patent in effect at the time the invention was made, or at the time the trade secret was violated, or at the time of trial? Who would have the burden of proof—the inventor of a trade secret or the thief who stole it?

But it is not necessary to determine how broadly the opinion should be interpreted or to choose between the alternative interpretations discussed. For, as discussed below at pages 20-40, the patent law does not preempt the trade secret law with respect to any invention, whether "patentable" or not, regardless of how "patentable" is defined.

2. The adverse effects of the opinion are not significantly reduced by its purported limitation to trade secrets which have been in "public use" for a year or more.

The opinion of the Court below purportedly is "limited" to patentable trade secrets which have been in "public use" (a term of art in the patent law) for a year or more and thus, under the terms of 35 U.S.C. § 102 (b) (1970), are not eligible for the grant of a patent. On the basis of this limitation, *amicus curiae* SCM Corporation sought in its brief opposing certi-

orari to discount the significance of the opinion below as only a "single narrow holding."[28]

But this factor does not significantly limit the adverse consequences of the decision.[29] After a year of commercial use, even in secret, every trade secret which might otherwise be eligible for a patent would be ineligible on this ground; at best, this limitation would merely carve out from the adverse effect of the opinion new trade secrets for a one-year period. The number of trade secrets which would thus be protected would be relatively small indeed; MCA members report that the large majority of technological developments that are protected by State trade secret laws have been in commercial use for more than one year.

Therefore, although it invoked the bar of § 102 (b) as a limitation of its holding, the Sixth Circuit's opinion still would jeopardize every technological trade secret except the relatively small category of those which have not been in commercial use for a year—and those would be protected only until the year expired.

II. OHIO'S TRADE SECRET LAW HAS NOT BEEN PREEMPTED BY THE UNITED STATES CONSTITUTION OR BY THE FEDERAL PATENT LAW.

Almost from its very beginning, the Court has been confronted with claims that a State law was preempted by the Constitution and laws of the United States. It has decided scores of cases on this issue, from *Gibbons* v. *Ogden,* 22 U.S. (9 Wheat.) 1 (1824), through *Gold-*

[28] Brief *Amicus Curiae* of SCM Corporation In Opposition to Petition for Writ of Certiorari at 8, No. 73-187 (1973).

[29] Nor, as discussed below at pp. 29-32, does the one-year bar of § 102(b) affect the preeemption question as a matter of law.

stein v. *California,* 412 U.S. 546 (1973). Over this period, this Court has developed certain basic precepts for deciding preemption claims, while at the same time it has emphasized the importance of viewing the competing interests at issue on a case-by-case basis, *Burbank* v. *Lockheed Air Terminal, Inc.,* 411 U.S. 624, 638 (1973).

In essence, those standards establish that the Ohio trade secret law is not preempted by the patent law because:

1. The Constitutional grant of authority to Congress to issue patents did not deprive the States of their power to protect unpatented secret technological information from being wrongfully appropriated to another's use.

2. Congress has not expressed any intention that the patent law preempt the State trade secret laws—indeed its intention has been quite the contrary—and their enforcement does not pose an irreconcilable conflict with the purposes or operation of the Federal legislation.

A. The States Have Retained the Authority to Protect Trade Secrets.

The preliminary inquiry is whether the Constitution grants Congress any exclusive power such as to prevent Ohio from enforcing a trade secret law, even in the absence of any Federal legislation, *Cooley* v. *Board of Wardens,* 53 U.S. (12 How.) 299, 318-19 (1851); *Goldstein* v. *California, supra,* at 552.

By Article I, § 8, cl. 8 of the Constitution, Congress is empowered:

> "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors

and Inventors the exclusive Right to their respective Writings and Discoveries."

Article I, § 8, cl. 8 describes both the objective which Congress may seek, and the means it may use to achieve that goal. No one would contend that the objective is exclusive and that only Congress can promote the progress of science and the useful arts. States may, it would seem indisputable, fund libraries and colleges, establish laboratories, and promote research in a myriad of ways.

Congress was granted a limited, specified power that it might exercise in order to promote science and the useful arts—the right to grant exclusive rights in their works to authors and inventors. As Alexander Hamilton enunciated in Number 32 of The Federalist, States retain all their sovereign powers unless (a) "the Constitution in express terms granted an exclusive authority" to the Federal Government, or (b) it "prohibited the States from exercising the like authority," or (c) the exercise of a similar authority by the States "would be absolutely and totally *contradictory* and *repugnant*" to the Federal power. And the Tenth Amendment to the Constitution expressly confirmed that the States retained all powers not delegated to the United States.

Chief Justice Burger, speaking for this Court, has only recently confirmed, in reviewing State copyright legislation, that Art. I, §8, cl. 8 "does not provide that [the power granted thereby] shall vest exclusively in the Federal Government. Nor does the Constitution expressly provide that such power shall not be exercised by the States." *Goldstein* v. *California, supra,* at 553. And finding nothing repugnant to the Federal

power, this Court concluded that States possess the right to enact copyright legislation in the absence of Federal legislation.

This case involves something far less challenging to Federal law—State trade secret protection. As discussed below at pages 25-27, a trade secret law does not grant the inventor an "exclusive right" to his invention; it merely prohibits private information from being taken from its holder by improper means.

Congress has been delegated no authority by Art. I, §8, cl. 8 to determine what information citizens may or may not keep private; nor has it been delegated any power to determine what kinds of protection are available to maintain that privacy. Moreover, there is nothing in the Constitution that prohibits the States from enacting trade secret laws. And the authority of Congress to grant inventors exclusive rights is not inhibited or otherwise affected by States' exercise of their police power to protect trade secrets by law.

The Constitution itself, therefore, does not in any way limit the rights of States to enforce trade secret laws.

B. The States' Exercise of Their Retained Authority Is Not Preempted by the Federal Patent Law.

Since Congress has exercised the power granted to it by Art. I, §8, cl. 8 by enacting the patent law, the only remaining inquiry is whether the patent law preempts the States' trade secret laws under the Supremacy Clause (Art. VI, para. 2).

A State law is not preempted unless that law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *Hines*

v. *Davidowitz,* 312 U.S. 52, 67-68 (1941); *Goldstein* v. *California, supra,* at 561. Because preemption entails setting aside the sovereign act of a State, and because the State, unlike the Federal Government, is "powerless to remove the ill effects of our decision," *Penn Dairies, Inc.* v. *Milk Control Commission,* 318 U.S. 261, 275 (1943), a court will not set aside the State law unless the "subject matter permits no other conclusion, or . . . the Congress has unmistakably so ordained." *Florida Lime & Avocado Growers, Inc.* v. *Paul,* 373 U.S. 132, 142 (1963).[30]

1. Trade secret laws do not conflict with the patent law.

The essential holding of the Sixth Circuit was that the State trade secret law "conflicts" with the Federal patent law. The Court founded that conclusion upon two grounds: (a) in respect to technological information, the trade secret law protects a "monopoly" and excludes competition, which are the protections granted by the patent law; and (b) the trade secret law conflicts with a supposed objective of the patent law to provide public disclosure of all inventions, 478 F.2d at 1086.

The following discussion will demonstrate that these two grounds are erroneous—as is another contention which may be made in this Court in an effort to support the decision of the Sixth Circuit.

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[30] See also, *e.g., Head* v. *New Mexico Board of Examiners,* 374 U.S. 424, 432 (1963) ("positive evidence of legislative intent"); *Schwartz* v. *Texas,* 344 U.S. 199, 203 (1952) ("a clear manifestation of intention"); *Rice* v. *Santa Fe Elevator Corp.,* 331 U.S. 218, 230 (1947) ("clear and manifest purpose of Congress"); *Napier* v. *Atlantic Coast Line R. R. Co.,* 272 U.S. 605, 611 (1926) ("The intention of Congress to exclude states from exerting their police power must be clearly manifested.").

a. The Trade Secret Laws Foster No Monopoly and Grant No Exclusive Rights to Inventions.

Congress is authorized by Art. I, §8, cl. 8 to reserve for inventors "the exclusive Right" to their discoveries, for a limited time. It has done so in the patent law, which currently grants the first inventor the right for 17 years to exclude others from manufacturing, using, or selling his patented discovery, 35 U.S.C. §154 (1970). Even if another person makes the same discovery independently and in complete ignorance of the prior invention, he is barred from making, using, or selling his discovery for the life of the patent.

If a State should enact a law for the grant of patents —or other similar form of exclusive right to an invention—it would interfere with the Federal law's effort to promote uniform standards for the types of discovery which are entitled to this particular kind of protection. Moreover, if a State should attempt to reach the same result by indirect means—as by prohibiting anyone from copying a product that is known to the public, thus giving the first user an exclusive right—its effort would also interfere with, and be preempted by, the patent law. *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

But the trade secret law does not provide such rights. It does not grant exclusive rights or a monopoly. It does not protect information known to the public. On the contrary, it provides only that a person's private information will not be taken from him wrongfully:

> "It is the employment of improper means to procure the trade secret, rather than the mere copying or use, which is the basis of the liability under the rule stated in this Section." Restatement of Torts §757, comment *a* at 3-4 (1939).

* * *

> "The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. The protection is merely against breach of faith and reprehensible means of learning another's secret." Restatement of Torts §757, comment *b* at 7 (1939).[31]

The trade secret law grants no protection against anyone who makes the same discovery independently. It provides no protection against others fairly using the same trade secret, and competitors not infrequently each employ the same or substantially the same trade secrets without the knowledge of the other. Nor does the trade secret law prohibit a discovery from being copied or worked out by reverse engineering from what is publicly available.

Trade secret laws do not impede competition, but rather protect the fruits of it; they represent an exercise of the States' police power in order to curb certain unacceptable practices. Neither Federal law nor policy seeks to promote such practices.

A State trade secret law, therefore, grants nothing to its holder, except protection from the forays of com-

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[31] See *Board of Trade* v. *Christie Grain & Stock Co.*, *supra*, for Mr. Justice Holmes' description of contracts to maintain the confidentiality of market quotations, an obligation which he analogized to trade secrets, 198 U.S. at 250, and which the Court held not to create a monopoly:

> "But so far as these contracts limit the communication of what the plaintiff might have refrained from communicating to anyone, there is no monopoly or attempt at monopoly, and no contract in restraint of trade, either under the [Sherman Act] or at common law. . . . But it is simply a restraint on the acquisition for illegal purposes of the fruits of the plaintiff's work." 198 U.S. at 252.

mercial predators. That is not the grant of an exclusive right in an invention.[32]

b. The Courts Traditionally Have Acted to Enforce Trade Secret Laws as Entirely Separate from the Patent Law.

The courts, including this Court, have almost without exception recognized that the trade secret law is separate and distinct from the patent law and have held that public policy requires the protection of trade secrets.[33] In *Becher* v. *Contoure Laboratories, Inc., supra,* this Court emphasized that trade secret law is independent of the patent law and that a trade secret could be enforced. Justice Holmes stated for the Court:

> "[The] suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, *both matters independent of the patent law,* and . . . the subject-matter . . . was *an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust.*" *supra,* at 391 (Emphasis added).[34]

An especially articulate description of the different functions of the trade secret law and the patent law is

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[32] To characterize protection against improper disclosure of private information as granting a "monopoly" as the Sixth Circuit did, 478 F.2d at 1086, is to fall prey to the dangers of which Justice Holmes warned: "It is one of the misfortunes of the law that ideas become encysted in phrases and thereafter for a long time cease to provoke further analysis." *Hyde* v. *United States,* 225 U.S. 347, 391 (1912) (dissenting opinion).

[33] The only exception (other than the decision below) of which we are aware is the District Court's opinion in *Painton & Co.* v. *Bourns, Inc.,* 309 F.Supp. 271 (S.D.N.Y. 1970), which was reversed at 442 F. 2d 216 (2d Cir. 1971).

[34] See also, *E. I. du Pont de Nemours Powder Co.* v. *Masland, supra,* and the other decisions discussed at pp. 12-13, *supra.*

to be found in *Allen-Qualley Co.* v. *Shellmar Products Co.*, 31 F.2d 293, 296 (N.D. Ill. 1929):[35]

> "[T]he owner of a patent has a monopoly against all the world, while the owner of a secret process has no right 'except against those who have contracted, expressly or by implication, not to disclose the secret, or who have obtained it by unfair means.' . . . Whether the subject-matter is patentable or not, if the designer discovers and keeps secret a process of manufacture, though he will not have an exclusive right to it as against the public, after he shall have published it, or against those who in good faith acquire knowledge of it, yet he has a property right, which a court of chancery will protect against one who in bad faith and breach of confidence undertakes to apply it to his own use."

Four recent opinions, decided by four different Courts of Appeals, have explicitly ruled that the patent law does not preempt State trade secret laws. (In two of these four this Court was asked to grant certiorari but declined, thereby leaving in effect, in each instance, a decision contrary to the instant opinion.)[36] The thrust of these four decisions is perhaps best reflected in Judge Friendly's opinion:

> "We therefore do not find, either in general considerations of public policy or in emanations from the federal patent law, a sufficient basis for declining to enforce even the royalty provisions of

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[35] *Aff'd.*, 36 F.2d 623 (7th Cir. 1929).

[36] The four cases are: *Servo Corp. of America* v. *General Electric Co.*, 337 F.2d 716 (4th Cir. 1964), *cert. denied* 383 U.S. 934 (1966); *Dekar Industries, Inc.* v. *Bissett-Berman Corp.*, 434 F.2d 1304 (9th Cir. 1970), *cert. denied* 402 U.S. 945 (1971); *Water Services, Inc.* v. *Tesco Chemicals, Inc.*, 410 F.2d 163 (5th Cir. 1969); *Painton & Co.* v. *Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971).

> trade secret agreements, at least with respect to cases where no patent application has been filed. . . . [A]n inventor who chooses to exploit his invention by private arrangements is entirely free to do so, though in so doing he may thereby forfeit his right to a patent."[37]

Thus, the operation of the trade secret law does not conflict with the patent law, even with respect to inventions which could be patented—and *a fortiori* not with respect to those which, while of a "patentable" subject matter, do not qualify for a patent.

c. An Invention in Commercial Use for More Than One Year Is Not in the Public Domain.

As noted in the prior discussion concerning its scope, the Sixth Circuit's opinion applies only to trade secrets in inventions which have been in commercial use for more than one year. It is not clear what legal significance the Court attached to this "limitation." In actuality, the length of time the invention has been in use has no relevance to the question of preemption.

Under the patent law, a patent cannot be obtained on an invention which has been in "public use" for more than one year, 35 U.S.C. §102(b) (1970). "Public use" is a term of art in the patent law; it encompasses commercial use in secret by an inventor and prevents the inventor from obtaining a valid patent.[38]

Amicus curiae SCM Corporation has asserted here, as Respondents did in brief to the Sixth Circuit, that because the inventions at issue had been in commercial

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[37] *Painton & Co.* v. *Bourns, Inc.*, *supra*, at 225.

[38] *Metallizing Engineering Co.* v. *Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2d Cir.), *cert. denied*, 328 U.S. 840 (1946). *Cf. Electric Storage Battery Co.* v. *Shimadzu*, 307 U.S. 5, 19-20 (1939).

use for more than a year, they somehow became, under 35 U.S.C. §102(b), "part of the public domain." Trade secret protection of such an invention, the argument runs, would grant rights like those provided by the patent law, in violation of this Court's decisions in *Sears* and *Compco*.[39]

This is totally erroneous. Commercial use of an invention, while it bars the grant of a patent to the user, does *not* necessarily place the invention in the public domain. Commercial use of a secret by no means requires that it be disclosed to the public. In fact, the Sixth Circuit itself found that twenty of the inventions at issue, which had been in commercial use for more than a year, were trade secrets, 478 F.2d at 1077—a ruling which necessarily negates any finding that they were in the public domain.[40]

If a discovery itself is revealed to the public through "public use," it necessarily passes into the public domain and cannot be a trade secret.[41] If, however, the discovery is a process or other invention which is not revealed by its "public use," like the trade secrets in the instant case, it does not enter the public domain. It requires a fanciful flight of reasoning or an imprecise use of language to conclude that by forfeiting

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[39] Brief of *Amicus Curiae* SCM Corp. in Opposition to Petition for Writ of Certiorari at 8-11; Reply Brief of Cross-Appellants at 2, *Kewanee Oil Co.* v. *Bicron Corp.*, 478 F.2d 1074 (6th Cir. 1973).

[40] "The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret." Restatement of Torts § 757, comment *b* at 5-6 (1939).

[41] Examples are the inventions in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) (pole lamp); and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) (fluorescent lighting fixtures).

his right to a patent by a "public use" which does *not* reveal the secret, the inventor somehow places his invention in the "public domain."

The doctrine of "public use" in no way affects an inventor's right to maintain the secrecy of his discovery. As this Court explained almost one hundred fifty years ago, the bar against prior "public use" is designed to prevent an inventor from using an invention in secret and *then*, when he senses the hot breath of competition, filing for a patent, thus having the best of both worlds—a trade secret plus a patent when competition is about to destroy the value of the trade secret. *Pennock* v. *Dialogue*, 27 U.S. (2 Pet.) 1 (1829); *Shaw* v. *Cooper*, 32 U.S. (7 Pet.) 292, 321-22 (1833).[42]

If, indeed, the one-year use placed any invention in the public domain, there could be no trade secret protection of an invention after one year. Yet, as Judge Learned Hand wrote, an inventor may choose between trade secret protection and patent monopoly, and having used the invention for more than a year can rely on the former:

> "[I]t is a condition upon an inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly. . . . But if he goes beyond that period of probation [the one-year limit on public use], he forfeits his right regardless of how little the public may have learned about the invention; . . .[it is] the fiat of Congress that it is part of the consideration for a patent that the public shall as soon as possible begin to enjoy the disclosure." *Metallizing Engineering Co.* v. *Kenyon Bearing & Auto Parts Co., supra*, at 520.

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[42] These cases were decided prior to the enactment of a prescribed maximum period of public use.

d. The Trade Secret Law Does Not Conflict With the Patent Law's Disclosure Objectives.

The other major component of the Sixth Circuit's opinion—in addition to its assumption that a trade secret law grants a "monopoly"—was its belief that the trade secret law enables an inventor to "prevent disclosure" and that because trade secret protection "has no limitation of time . . . [it] is in direct conflict with the Patent Laws, which have as a purpose the objective of obtaining public disclosure after a limited period of time."[43]

A trade secret law, of course, does not "prevent disclosure." It merely protects private information against being revealed by improper methods, such as breach of trust. The patent law has no interest in fostering such conduct. On the contrary, as discussed below at pages 37-39 in more detail, Congress itself has provided criminal sanctions against Federal employees who wrongfully disclose trade secrets, 18 U.S.C. §1905 (1970), and has acted to preserve the confidentiality of trade secrets by enacting numerous statutes for that purpose in many different contexts.

Nor is there any policy in the patent law requiring the disclosure of unpatented innovative discoveries. The patent law requires public disclosure of a discovery only in exchange for the issuance of a patent, *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249, 255 (1945). If a person is willing to forego a patent, no law or policy requires that his discovery be made public. "He may keep his invention secret and reap its fruits indefinitely." *United States* v. *Dubilier Con-*

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[43] 478 F.2d at 1086.

denser Corp., supra, at 186. As Judge Friendly well stated:

> "Although the [Supreme] Court stated [in *Lear, Inc.* v. *Adkins,* 395 U.S. at 668] that 'federal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent,' . . . it did not say or suggest that federal law requires that all ideas must be put in general circulation."[44]

That the patent law compels publication as the condition of the grant of a patent does not mean that Congress thereby sought the publication of all technological knowledge.[45] Indeed, if Congress had explicitly decreed that all inventions or innovative information must be made public, it would have exceeded the authority granted by Art. I, §8, cl. 8. That provision authorizes Congress only to grant inventors an exclusive right to their discoveries—not to decree that all technological information be made public and shared in common. The opinion below transforms the condition extracted for the grant of a monopoly into the purpose for granting the monopoly.

By holding that the Ohio trade secret law conflicts with the patent law because it does not promote the publication of unpatented information, the instant opinion thus gives the patent law an effect which would be beyond the authority of Congress if Congress had sought to reach that result directly. Congress has no power under the patent clause to compel citizens to disclose private trade information.

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[44] *Painton & Co.* v. *Bourns, Inc., supra,* at 225.

[45] On the contrary, it indicates that Congress recognized that nonpatented information could remain secret, for why else would it require the publication of secrets that are patented? See also the discussion of 35 U.S.C. § 122 (1970), *infra* at p. 38.

It is significant, finally, to note that the opinion generally considered to have been the first in the United States to recognize the validity of trade secret protection and a classic case in the area—*Peabody* v. *Norfolk, supra*—reached that result by rejecting the argument that the trade secret doctrine contravened a disclosure policy of the patent laws.[46] The Court held that the inventor can choose whether to obtain a patent or try to maintain the secrecy of the invention:

> "If he invents or discovers, and keeps secret, a process of manufacture, whether a proper subject for a patent or not, he has not indeed an exclusive right to it as against the public, or against those who in good faith acquire knowledge of it; but he has a property in it, which a court of chancery will protect against one who in violation of contract and breach of confidence undertakes to apply it to his own use, or to disclose it to third persons."[47]

Since, as discussed above, the protection against improper disclosure afforded by the trade secret law does not conflict with the patent law, the absence of a time limitation in the trade secret law as opposed to the

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[46] 98 Mass. at 456-57. So, indeed, did the leading English case, *Morison* v. *Moat*, 9 Hare 241, 68 Eng. Rep. 492, *aff'd.*, 21 L.J. Ch. 248 (1851). In that case the Court dismissed the argument that protecting trade secrets conflicted with the English patent law:

> "It was much pressed in argument, on the part of the Defendant, that the effect of granting an injunction in such a case as the present would be to give the Plaintiffs a better right than that of a patentee . . . but what we have to deal with here is, not the right of the Plaintiffs against the world, but their right against the Defendant. It may well be that the Plaintiffs have no title against the world in general, and may yet have a good title against this Defendant . . ." 9 Hare at 258-59, 68 Eng. Rep. at 500.

[47] 98 Mass. at 458.

seventeen years provided in the patent law—an additional ground in the opinion below for holding there was a conflict[48]—is irrelevant. Nevertheless, it bears mentioning that the opinion of the Court below is also erroneous in focusing on this point.

Contrary to the statement of that Court—apparently based on a statement attributed to counsel for Petitioner, rather than on any record evidence in the instant case, let alone on any evidence about general industry practice—reliance by inventors on trade secret laws instead of the patent law is not for the purpose of preserving a "monopoly" for more than the seventeen-year patent period. As noted above, the trade secret laws do not in fact grant a monopoly for any period.

Nor would it be reasonable for inventors to expect that they will be able to maintain their secrets for as long as seventeen years. Trade secrets rarely can withstand bona fide disclosure—as by reverse engineering—for a time even approaching seventeen years. Finally, even if secrecy were maintained for that long, in very few instances would technological progress be so slow that the secret would still have any value.[49]

2. This Court's recent decisions do not support the conclusions of the Court below.

The opinion of the Sixth Circuit was premised on the stated belief that it was consistent with this Court's opinions in *Sears, Roebuck & Co.* v. *Stiffel Co., supra; Compco Corp.* v. *Day-Brite Lighting, Inc., supra;* and *Lear, Inc.* v. *Adkins,* 395 U.S. 653 (1969).

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[48] 478 F.2d at 1086.

[49] G. Doerfer, *supra* n. 21, at 1448.

Yet these opinions dealt with entirely different questions.

In *Sears* and *Compco* this Court held, as noted above, that the patent system's need for uniform Federal standards with respect to patents precludes the States from granting an exclusive right to information in the public domain which would have the effect of extending a patent beyond its expiration date or granting a patent-like protection to an article on which the Federal law would deny a patent. *Sears* and *Compco* involved only the question whether a State could —by laws different from the trade secret laws—grant a monopoly as to information *which was in the public domain* (there the design of products in general circulation). As this Court said in *Lear,* citing *Sears* and *Compco,* "federal law requires that all ideas *in general circulation* be dedicated to the common good unless they are protected by a valid patent." 395 U.S. at 668 (emphasis added).

Like *Sears* and *Compco, Lear* did not involve trade secret laws. At issue there was an aspect of the administration of the patent law, and the Court held that State contract law could not be enforced to require a licensee to pay royalties for the use of an invention covered by a patent while he was contesting the validity of the patent. It is worth noting that Justice Black (the author of *Sears* and *Compco*), in his concurring opinion in *Lear* (joined by Chief Justice Warren and Justice Douglas), indicated that the patent law does not preclude a State from assisting an inventor in keeping his discovery secret, 395 U.S. at 677.

Sears, Compco, and *Lear* thus are consistent with the earlier decisions of this Court upholding the protection of trade secrets.[50]

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[50] See discussion at pp. 12-13, *supra.*

This Court's most recent opinion bearing on the subject is *Goldstein* v. *California, supra.* That decision upheld a California statute which in effect granted a State copyright on recordings, even though the Federal copyright law then in effect could have, but did not, provide such protection. This Court recognized that the California statute did not create any conflict with the operation of the Federal copyright law because Congress had "left the area unattended." [51]

That a State trade secret law is not preempted follows *a fortiori* from this decision. Because the trade secret law provides an entirely different protection from that offered by the Federal law, the area is not only "unattended" by Congress, but totally outside its ken under the patent law.[52]

C. Congress Has Affirmatively Indicated That The Trade Secret Law Is Not Preempted By Federal Law.

Since trade secret laws do not in any way impede the operation of the patent law, it is not surprising that Congress has not indicated in any way that the patent law should preempt the trade secret laws of the States. On the contrary, Congress has affirmatively

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[51] 412 U.S. at 570.

[52] This Court reached its decision in *Goldstein* by distinguishing that case from *Sears* and *Compco* on the ground that Congress had drawn a balance in the area of "mechanical configurations" as to which articles it sought to protect under the patent law and which it wished to remain free, and that the States could not protect those articles which Congress had specifically declined to protect, 412 U.S. at 569-70. This distinction, of course, merely refers to the fact that *Sears* and *Compco,* as discussed above, held that States could not prevent the copying of articles in the public domain. Those cases did not hold that Congress had determined that unpatented information must be made public. Nor did they bear on the non-monopoly protection afforded by the trade secret law. Thus, *Goldstein* is authority that States can provide trade secret protection—an area Congress has left far more "unattended" than it has the copyright field.

demonstrated in numerous statutes that it supports the policies of the trade secret laws and desires them to be fully effective. These statutes are set forth in Appendix D to this Brief.[53]

Perhaps most probative of Congressional intent is the fact that even in the patent law itself Congress has recognized the validity of trade secrets and has acted to protect them. Section 122 of the patent law, 35 U.S.C. §122 (1970), provides specifically that applications for patents shall be maintained in secrecy (which secrecy may be breached only in unusual circumstances); see also, Patent Office Rule 14, 37 C.F.R. §1.14 (1973). This provision applies even if the application ultimately is denied or abandoned, *Sears* v. *Gottschalk*, 357 F.Supp. 1327 (E.D. Va. 1973); 37 C.F.R. §1.14(b) (1973); and P. J. Federico, "Commentary on the New Patent Act," 35 U.S.C.A. 1, 35-36 (1954). In other words, Section 122 recognizes the patent applicant's option to retain his invention as a trade secret if no patent is obtained, even if a patent would have been obtained if the inventor had not abandoned his application.

In addition, Congress has provided criminal sanctions against Federal employees who wrongfully disclose trade secrets. In 18 U.S.C. §1905 (1970), Congress has prescribed that any employee who "discloses

[53] In their reply brief to the Court below, Respondents, citing no examples, attempted to minimize the importance of such statutes by asserting that "most" of them "deal with inspection and registration of new products before they are placed in the stream of commerce." Reply Brief of Cross-Appellants at 5-6, *Kewanee Oil Co.* v. *Bicron Corp.*, 478 F.2d 1074 (1973). The assertion is groundless: these statutes require the protection of all trade secrets, and none of them is limited, implicitly or explicitly, to new products that have not entered the stream of commerce.

. . . information [which] concerns or relates to . . . trade secrets . . . shall be fined . . . or imprisoned . . ."

Finally, it should be noted that Congress is currently considering several bills which would implement major reforms in the patent law.[54] One of these, S. 2504, has recently been proposed formally by the Administration. It is supported by the Antitrust Division of the Department of Justice.[55] It would add a Section 301 making it explicit that the patent law does not preempt state trade secret laws:

> "(a) This title shall not be construed to preempt rights or obligations arising by operation of state law concerning trade secrets.
>
> "(b) Nothing in subsection (a) shall authorize any state to grant any person the right to limit the full and free use by the public of ideas in the public domain or in general circulation."

In his "Message to the Congress Proposing Enactment of the Patent Modernization and Reform Act of 1973," 9 Presidential Doc. 1198, 1201 (Oct. 1, 1973), the President explained the proposed Section 301 as follows:

> "[This] provision would ensure that the patent laws not be construed to replace or preempt state laws concerning trade secrets so long as those state laws do not interfere with the free flow of ideas in

---

[54] 93rd Cong., 1st Sess.: H.R. 7111 (introduced by Rep. Owens and Rep. Mezvinsky on April 17, 1973), S. 1321 (introduced by Sen. Hart on March 22, 1973), and S. 2504 (introduced by Sen. Scott of Pa. for the Administration on October 1, 1973).

[55] See Remarks of Thomas E. Kauper, Assistant Attorney General, Antitrust Division, before the Seventh Annual New England Antitrust Conference, reported in 152 BNA Patent, Trademark & Copyright Journal A-8 (November 8, 1973).

> the public domain. Decisions of the Supreme Court in both of these areas would also be left undisturbed."

In view of this Court's invitation to the Solicitor General to file a brief *amicus curiae* herein, it should be noted that the Department of Justice apparently supports Section 301. The Administration's proposed bill, in which that section is included, was transmitted to Congress by the Departments of Justice and Commerce.[56]

In addition, the Department of Justice earlier stated that it would support a narrowly drawn non-preemption provision like Section 301. In 1971, the Senate Committee on the Judiciary was considering an anti-preemption provision which not only antedated the decision below, but which was also far broader than the present Section 301. Richard McClaren, the Assistant Attorney General for the Antitrust Division of the Department of Justice, submitted the Department's position as follows:

> "We would not object . . . to a more narrowly drafted provision permitting the states to protect inventors' rights in their ideas, provided that those ideas are both really secret and really valuable.
> "I believe that the accommodation which I have suggested is consistent with both the patent system and the antitrust laws. In addition, it recognizes the existence of a longstanding body of common law which protects private rights to trade secrets and industrial know-how. It protects the choice

[56] Thomas E. Kauper, Assistant Attorney General, Antitrust Division, represented the Department of Justice at the White House press conference on the Patent Modernization and Reform Act of 1973, 9 Pres. Doc. 1209 (Oct. 1, 1973); 119 Cong. Rec. § 18140 (daily ed. Oct. 1, 1973) (remarks by Sen. Scott of Pa.).

long available to inventors of disclosing their invention and securing a patent on it, or of keeping their inventions secret and exploiting them through trade secret and know-how licenses."[57]

Section 301 confirms that the Administration does not wish the trade secret laws to be preempted. Moreover, Section 301 demonstrates that the Administration believes, as *amicus curiae* MCA contends here, that the patent law does not preempt State trade secret laws, and that this result promotes the public interest.[58]

CONCLUSION

The decision of the Court below does not promote the public interest. It would prevent the enforcement of State laws which protect trade secrets from being misappropriated by conduct which has heretofore been considered improper—breach of contract, breach of trust, and abuse of confidential relationships.

In doing so, it would destroy a legal and economic structure which has been in operation in this Nation from its founding and upon which industry has long relied; it would promote predatory business behavior

---

[57] Richard McClaren, then Assistant Attorney General, Antitrust Division, Patent Law Revision Hearings on S. 643, S. 1253, and S. 1255, Before the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, 92nd Cong., 1st Sess., pt. 2, 503, at 516 (1971).

[58] Prior to the Sixth Circuit's decision in this case, the Department of Justice publicly stated that no anti-preemption provision was required in order to preserve the State trade secret laws:

> "Nothing the courts have done in the area of preemption warrants legislative action at this time. The appropriate time for legislation, if any, is after such event, not before."

"Memorandum of Law by Department of Justice," Patent Law Revision Hearings, *supra* n. 57, 483, at 502.

and impair the growth of the American economy. There is no Federal policy which requires such a result, and the doctrine of preemption does not warrant such a result.

Trade secret law in no way impedes the operation of the patent law or conflicts with it; the two systems of law provide entirely different kinds of protection. Congress has affirmatively manifested its intention, not only that trade secret laws be permitted to continue but also that the Federal Government recognize and respect them.

The opinion and order of the Sixth Circuit should be reversed by this Court.

Respectfully submitted,

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November 23, 1973

APPENDIX

CIBA-GEIGY Corporation
Cities Service Company
Climax Molybdenum Company
Commercial Solvents Corporation
Commonwealth Oil Refining Company, Inc.
Continental Oil Company
Cordova Chemical Division, Aerojet-General Corporation
Cosden Oil & Chemical Company
CPC International Inc.
Crompton & Knowles Corporation, Chemicals Group
Cyanamid of Canada Limited
Dart Industries Inc., Chemical Group
Detroit Chemical Works
Diamond Shamrock Corporation
Dixie Chemical Company, Inc.
Domtar Chemicals Limited
The Dow Chemical Company
Dow Chemical of Canada, Limited
Dow Corning Corporation
E. I. du Pont de Nemours & Company
Du Pont of Canada Limited
Eastman Kodak Company
Engelhard Industries, Division of Engelhard Minerals & Chemicals Corporation
ERCO Industries Limited
Essex Chemical Corporation
Ethyl Corporation
Exxon Chemical Company
Ferro Corporation
Fike Chemicals, Inc.
Firestone Plastics Company, Division of The Firestone Tire & Rubber Company
First Chemical Corporation
Fisher Scientific Company, Chemical Manufacturing Division
FMC Corporation, Chemical Group
Foote Mineral Company
Foster Grant Co., Inc.

Freeport Minerals Company
GAF Corporation
General Electric Company, Chemical and Metallurgical Division
General Mills Chemicals, Inc.
The General Tire & Rubber Company, Chemical Division
Geneva Industries, Inc.
Georgia-Pacific Corporation, Chemical Division
Glyco Chemicals, Inc.
B. F. Goodrich Chemical Company, A Division of The B. F. Goodrich Company
The Goodyear Tire & Rubber Company
Gordon Chemical Co., Inc.
W. R. Grace & Co.
Great Lakes Carbon Corporation
Great Lakes Chemical Corporation
Gulf Oil Canada Limited
Gulf Oil Chemicals Company
The Harshaw Chemical Company, Division of Kewanee Oil Company
Henkel Inc.
Hercules Incorporated
Hoffmann-La Roche Inc.
Hooker Chemical Corporation
ICI America Inc.
Inmont Corporation
International Minerals & Chemical Corporation
ITT Rayonier Incorporated
Jefferson Chemical Company, Inc.
Kaiser Chemicals, Division of Kaiser Aluminum & Chemical Corporation
Kawecki Berylco Industries, Inc.
Kay-Fries Chemicals, Inc.
Kerr-McGee Chemical Corp.
H. Kohnstamm & Co., Inc.
Koppers Company, Inc.
Eli Lilly and Company
The Lubrizol Corporation

Mallinckrodt Chemical Works
M&T Chemicals Inc., Subsidiary of American Can Company
Marbon Division, Borg-Warner Corporation
MC&B Manufacturing Chemists
Melamine Plastics Corporation
Merck & Co., Inc.
Merichem Company
Michigan Chemical Corporation
Miles Laboratories, Inc.
Milliken Chemical Division, Magnolia Industries, Inc.
Minnesota Mining and Manufacturing Company, Chemical Division
Mobil Chemical Company, A Division of Mobil Oil Corporation
Monsanto Company
Morton Chemical Company, A Division of Morton-Norwich Products, Inc.
Nalco Chemical Company
National Starch and Chemical Corporation
Neville Chemical Company
N L Industries, Inc.
Northern Petrochemical Company
Norton Chemical Process Products, Division of Norton Company
Olin Corporation
Owens-Corning Fiberglas Corporation, Chemical Division
Oxirane Chemical Company
The Pantasote Company of New York, Inc.
C. H. Patrick & Co., Inc.
Pearsall Chemical Corporation
S. B. Penick & Company
Pennwalt Corporation
Pfister Chemical Inc.
Pfizer Inc.
Phelps Dodge Refining Corporation
Philadelphia Quartz Company
Phillips Petroleum Company
Pilot Chemical Company

PPG Industries, Inc., Chemical Division
The Procter & Gamble Company
Productol Chemical Company
Publicker Industries Inc.
The Quaker Oats Company, Chemicals Division
Reichhold Chemicals, Inc.
Reilly Tar & Chemical Corporation
Reynolds Metals Company
The Richardson Chemical Company
Rohm and Haas Company
Royce Chemical Company
Royster Company
Rubicon Chemicals Inc.
Shell Chemical Company, A Division of Shell Oil Company
The Shepherd Chemical Company
Sinclair-Koppers Company
Sobin Chemicals, Inc.
Standard Chlorine Chemical Co., Inc.
Stauffer Chemical Company
Stepan Chemical Company
Story Chemical Corporation
Sun Oil Company
SunOlin Chemical Company
Tenneco Chemicals, Inc.
Texaco Inc., Petrochemical Department
Texasgulf Inc.
Union Carbide Canada Limited
Union Carbide Corporation
Union Oil Company of California
  AMSCO Division
  Collier Carbon and Chemical Corporation Subsidiary
UNIROYAL, Inc.
United States Borax & Chemical Corporation
U.S. Industrial Chemicals Co., Division of National
  Distillers and Chemical Corporation
Universal Oil Products Company
The Upjohn Company
USS Chemicals Division of United States Steel Corporation

R. T. Vanderbilt Company, Inc.
Velsicol Chemical Corporation
Ventron Corporation
Virginia Chemicals Inc.
Vistron Corporation, Subsidiary of The Standard Oil Company (Ohio)
Vulcan Materials Company
Warner-Lambert Chemicals Division, Warner-Lambert Company
Witco Chemical Corporation

APPENDIX B

States In Which Courts Have Recognized Trade Secret Protection

Arizona

San Manuel Copper Corp. v. *Redmond*, 8 Ariz. App. 214, 445 P.2d 162 (Ct. App. 1968)

Arkansas

Witmer v. *Arkansas Dailies, Inc.*, 202 Ark. 470, 151 S.W. 2d 971 (1941)

California

Empire Steam Laundry v. *Lozier*, 165 Cal. 95, 130 P. 1180 (1913)

Colorado

Julius Hyman & Co. v. *Velsicol Corp.*, 123 Colo. 563, 233 P.2d 977 (1951)

Connecticut

Plastic & Metal Fabricators, Inc. v. *Roy*, 163 Conn. 257, 303 A.2d 725 (1972)

Delaware

Delaware Chemicals, Inc. v. *Reichhold Chemicals, Inc.*, 35 Del. Ch. 493, 121 A.2d 913 (1956)

Florida

Bert Lane Co. v. *International Industries, Inc.*, 84 So.2d 5 (Fla. 1955)

Georgia

Stewart v. *Hook*, 118 Ga. 445, 45 S.E. 369 (1903)

Illinois

Schulenburg v. *Signatrol, Inc.*, 33 Ill. 2d. 379, 212 N.E.2d 865 (1965)

Indiana

Westervelt v. *National Paper & Supply Co.*, 154 Ind. 673, 57 N.E. 552 (1900)

Iowa

Bandag, Inc. v. *Morenings*, 259 Iowa 998, 146 N.W.2d 916 (1966)

Kansas
Morrison v. *Woodbury,* 105 Kan. 617, 185 P. 735 (1919)
Kentucky
Progress Laundry Co. v. *Hamilton,* 208 Ky. 348, 270 S.W. 834 (1925)
Louisiana
Marcann Outdoor, Inc. v. *Johnston,* 229 So.2d 419 (La. App. 1969)
Maryland
Space Aero Products Co. v. *R. E. Darling Co.,* 238 Md. 93, 208 A.2d 74 (1965)
Massachusetts
Peabody v. *Norfolk,* 98 Mass. 452 (1868)
Michigan
O. & W. Thum Co. v. *Tloczynski,* 114 Mich. 149, 72 N.W. 140 (1897)
Minnesota
Elaterite Paint & Manufacturing Co. v. *S. E. Frost Co.,* 105 Minn. 230, 117 N.W. 388 (1908)
Missouri
Luckett v. *Orange Julep Co.,* 271 Mo. 289, 196 S.W. 740 (1917)
Montana
Best Dairy Farms, Inc. v. *Houchen,* 152 Mont. 194, 448 P.2d 158 (1968)
Nebraska
Securities Acceptance Corp. v. *Brown,* 171 Neb. 701, 107 N.W.2d 540 (1961)
New Jersey
Salomon v. *Hertz,* 40 N.J.Eq. 400, 2 A. 379 (Ch. 1886)
New York
Tabor v. *Hoffman,* 118 N.Y. 30, 23 N.E. 12 (1889)
Ohio
B. F. Goodrich Co. v. *Wohlgemuth,* 117 Ohio App. 493, 192 N.E.2d 99 (1963)

Oklahoma
Brenner v. *Stavinsky*, 184 Okla. 509, 88 P.2d 613 (1939)

Oregon
Port Investment Co. v. *Oregon Mut. Fire Ins. Co.*, 163 Or. 1, 94 P.2d 734 (1939)

Pennsylvania
Fralich v. *Despar*, 165 Pa. 24, 30 A. 521 (1894)

Rhode Island
Stevens & Co. v. *Stiles*, 29 R.I. 399, 71 A. 802 (1909)

South Carolina
Lowndes Products, Inc. v. *Brower*, 259 S.C. 322, 191 S.E.2d 761 (1972)

South Dakota
Jewel Tea Co. v. *Grissom*, 66 S.D. 146, 279 N.W. 544 (1938)

Tennessee
Hall v. *Britton*, 41 Tenn. App. 72, 292 S.W.2d 524 (Ct. App. 1953)

Texas
Luccous v. *J. C. Kinley Co.*, 376 S.W.2d 336 (Tex. 1964)

Vermont
McClary v. *Hubbard*, 97 Vt. 222, 122 A. 469 (1923)

Washington
John Davis & Co. v. *Miller*, 104 Wash. 444, 177 P. 323 (1918)

Wisconsin
Abbott Laboratories v. *Norse Chemical Corp.*, 33 Wisc. 2d 445, 147 N.W.2d 529 (1967)

Wyoming
Ridley v. *Krout*, 63 Wyo. 252, 180 P.2d 124 (1947)

See generally Milgrim, Trade Secrets § 2.01 (1967 and Supp. 1973), for additional decisions, including cases from every Circuit Court of Appeals.

APPENDIX C

State Statutes Prohibiting Disclosure of Trade Secrets

Arkansas
Ark. Stat. Ann. §§ 41-3949 to -3151 (Supp. 1971)

California
Cal. Penal Code Ann. § 499c (West 1970)

Colorado
Colo. Rev. Stat. 1963 § 40-5-33 (Supp. 1969) and § 40-5-34 (Supp. 1967)

Georgia
Ga. Code. Ann. § 26-1809 (1972)

Illinois
Ill. Ann. Stat. Ch. 38 §§ 15-1 to -9, 16-1 (1970)

Indiana
Ind. Stat. Ann. §§ 10-3048 to -3052 (Burns Supp. 1972)

Maine
Me. Rev. Stat. Ann. tit. 17, § 2113 (West Supp. 1973)

Massachusetts
Mass. Gen. Laws Ann. ch. 93, §§ 42, 42A (West Supp. 1972)
Mass. Gen. Laws Ann. ch. 266, §§ 30(4), 60A (West 1970)

Michigan
Mich. Compl. Laws §§ 752.771-.773 (1970)

Minnesota
Minn. Stat. Ann. § 609.52 (West Supp. 1973)

Nebraska
Nebr. Rev. Stat. ch. 28, § 548.01-.03 (Supp. 1972)

New Hampshire
N. H. Rev. Stat. Ann. ch. 580, § 32 (Supp. 1972)

New Jersey
N. J. Stat. Ann. § 2A:119-5.1 to -5.5 (1969)

New Mexico
N. M. Stat. Ann. § 40A-16-23 (1972)

New York
N.Y. Penal Law §§ 155.00(6), 155.30(3), 165.07 (McKinney 1967)

North Carolina
N. C. Gen. Stat. § 14-75.1 (1969)
Ohio
Ohio Rev. Code Ann. tit. 13, §§ 1333.51, 1333.99(E) (Supp. 1972)
Oklahoma
Okla. Stat. Ann. tit. 21, § 1732 (West Supp. 1972)
Pennsylvania
Pa. Stat. Ann. tit. 18 § 3930 (1973)
Tennessee
Tenn. Code Ann. §§ 39-4238 to -4240 (Supp. 1971)
Wisconsin
Wisc. Stat. § 943.205 (1971)
See also ABA 1971 Committee Reports, Section of Patent, Trademark, and Copyright Law, 224-28 (1971), for State statutes prohibiting the disclosure of trade secrets by agencies of State governments.

APPENDIX D

United States Statutes Requiring Confidential Treatment Of Trade Secrets

5 U.S.C. § 552(b)(4) (1970) (exempting trade secrets from disclosure under the Freedom of Information Act).

15 U.S.C. § 46(f) (1970) (excepting trade secrets from information that FTC is authorized to make public).

15 U.S.C. §§ 78x(a), 79v(a) (1970) (Securities Exchange Act of 1934, and Public Utility Holding Company Act of 1935, providing that SEC not authorized to require disclosure of trade secrets).

15 U.S.C. § 330b(c) (Supp. II 1972) (prohibiting disclosure of confidential information obtained by Secretary of Commerce in relation to weather modification activities).

15 U.S.C. § 1193(c) (1970) (trade secrets concerning flammable fabrics shall be considered confidential by Consumer Product Safety Commission).

15 U.S.C. § 1263(h) (1970) (prohibiting use or disclosure of trade secrets obtained under the Federal Hazardous Substances Act).

15 U.S.C. § 1401(e) (1970) (trade secrets obtained pursuant to the National Traffic and Motor Vehicle Safety Act of 1966 to be treated confidentially); 15 U.S.C. § 1402(d) (1970) (National Traffic and Motor Vehicle Safety Act of 1966, prohibiting disclosure by Secretary of Transportation of trade secrets communicated to dealers by manufacturers concerning defects, unless required in order to carry out purposes of the Act).

15 U.S.C. §§ 1914(b), 1944(f) (Supp. II 1972) (Motor Vehicle Information and Cost Savings Act of 1972, trade secrets to be confidential).

15 U.S.C. § 2055(a)(2) (Supp. II 1972) (Consumer Product Safety Act, trade secrets to be confidential).

18 U.S.C. § 1905 (1970) (Federal crime for employee of United States to disclose trade secret).

21 U.S.C. § 331(j) (1970) (prohibiting any person from misusing or disclosing trade secrets obtained pursuant to Federal Food, Drug and Cosmetic Act).

21 U.S.C. § 458(a)(5) (1970) (prohibiting any person from misusing or disclosing trade secrets acquired pursuant to Poultry Products Inspection Act).

29 U.S.C. § 664 (1970) (Occupational Safety and Health Act of 1970, requiring confidential treatment of trade secrets).

33 U.S.C. §§ 1318(b), 1320(d), 1322(g)(3), 1369(a)(1) (Supp. II 1972) (Federal Water Pollution Control Act Amendments of 1972, requiring confidential treatment of trade secrets).

39 U.S.C. § 410(c)(2) (1970) (specifically exempting trade secrets from applicability of the Freedom of Information Act to Postal Service).

42 U.S.C. § 263g(d) (1970) (Radiation Control for Health and Safety Act of 1968, limiting disclosure of defects if trade secrets involved); 42 U.S.C. § 263i(e) (1970) (Radiation Control for Health and Safety Act of 1968, prohibiting disclosure of trade secrets disclosed by inspections or records).

42 U.S.C. §§ 1857c-9(c), 1857d(j)(1), 1857f-6(b) (1970) (Clean Air Act, barring disclosure of trade secrets revealed to EPA; 42 U.S.C. § 1857h-5(a)(1) (Supp. II 1972) (Clean Air Act, trade secrets to be confidential).

42 U.S.C. § 4912(b)(1) (Supp. II 1972) (Noise Control Act of 1972, trade secrets to be confidential).

46 U.S.C. § 1463(b) (Supp. II 1972) (Federal Boat Safety Act of 1971, trade secrets to be confidential).

Economic Stabilization Act of 1970, Pub.L. No. 91-379, § 205 (August 15, 1970), as amended, 12 U.S.C. § 1904 note (Supp. II 1972) (trade secret information submitted to CLC to be confidential).

See also, Act of July 3, 1964, Pub.L. No. 88-354, § 5(e), 78 Stat. 269 (creating National Commission on Food Marketing and prohibiting disclosure of trade secrets); and Act of May 29, 1968, Pub.L. No. 90-321, § 405(e), 82 Stat. 146 (creating National Commission on Consumer Finance and prohibiting disclosure of trade secrets).

See generally, Milgrim *Trade Secrets* § 6.02 (1973).

FILED
DEC 20

In The

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1973

No. 73-187

KEWANEE OIL COMPANY,
Petitioner,

v.

BICRON CORPORATION, et al.,
Respondents.

BRIEF OF THE OHIO STATE BAR ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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In The

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1973

No. 73-187

KEWANEE OIL COMPANY,

Petitioner,

v.

BICRON CORPORATION, et al.,

Respondents.

BRIEF OF THE OHIO STATE BAR ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF PETITIONER

AUTHORITY TO FILE

This brief is filed on behalf of the Ohio State Bar Association as *amicus curiae* pursuant to Rule 42 (2) of this Court and is accompanied by the written consent of both parties to file this brief at this time, the originals of which are filed herewith.

INTEREST OF AMICUS CURIAE

The Ohio State Bar Association is a nonprofit association comprising attorneys admitted to practice in Ohio. The decision before this Court effectively erases Ohio's trade secret law — law that is grounded in an historic common law right and that has been recognized and protected

by Ohio's courts for almost a century. Moreover, the decision below threatens to upset numerous existing relationships, to establish a judicial precedent threatening other important common law rights protected in Ohio, and to promote immoral and unethical dealings in this state. The Association has authorized the filing of this brief in the belief that this Court should have available for its consideration the applicable Ohio decisions before it decides whether the United States Patent Laws preempt a right which the State of Ohio has long recognized and protected.

The Association adopts and supports the legal arguments advanced here by Petitioner and strongly urges reversal of the Court below and reinstatement of the District Court's decision. The Association takes no position with respect to the *private* rights of the parties to this case. The Association's concern is solely with the holding of federal preemption of Ohio law protecting the trade secrets of its citizens.

STATEMENT OF THE CASE

The Ohio State Bar Association hereby adopts and relies upon the STATEMENT as set forth in Petitioner's brief, supplemented in the following respects. Of special interest to this Amicus are the holdings of the Sixth Circuit Court of Appeals that: (1) a detailed review of Ohio law is not necessary to a decision of the issues presented; (2) Ohio trade secret law gives to its owner a monopoly exercisable against any person by which he can exclude competition and prevent disclosure; and (3) Ohio trade secret law has no limit in time and provides protection greater than that provided by the federal patent laws. This Amicus believes that the Sixth Circuit misapprehended the nature of and rights afforded by Ohio trade secret law and sub-

mits that when properly viewed there are no valid reasons for refusing, under the guise of federal preemption, to enforce a trade secret cause of action.

SUMMARY OF ARGUMENT

It is readily apparent from the decision below that the Sixth Circuit's holding was strongly influenced by its belief that Ohio trade secret law affords to the holder of a trade secret the right to exclude all others from practicing that trade secret for an indefinite period of time. This is apparent from the Court's reliance on *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), cases totally inapplicable to this case, and from its statement:

> "Thus, we feel compelled to conclude that *a state trade secret law which protects an inventor in the maintenance of a monopoly* of a device which is an appropriate subject for patent under the United States Patent Laws is in conflict with the policies and purposes of those patent laws where the invention has been used commercially for more than one year. By such use the inventor has forfeited his right to a patent but *by the use of the state trade secret law he is able to exclude competition and prevent disclosure,* thus obtaining protection which he could not obtain under the laws of the United States. *The state trade secret law has no limitation of time* and, therefore, is in direct conflict with the Patent Laws, which have as a purpose the objective of obtaining public disclosure after a limited period of time." 478 F.2d at 1086. (Emphasis added).

In essence, the Court concluded that Ohio trade secret law provides its holder with a property right "in gross".

This conclusion and the results flowing therefrom are not supported by Ohio law. More specifically, a review of the trade secret law of Ohio demonstrates that: (1) a trade secret owner in Ohio has no property rights in the trade secret itself, rather the right recognized is the right to prevent others from using or disclosing a trade secret obtained by improper means or in violation of a confidential relationship; and (2) the rights protected are limited in time and only so long as the secret is not a matter of general knowledge in the industry. That the decisional and statutory law in Ohio dictates these conclusions will now be demonstrated.

ARGUMENT

I. INTRODUCTION:

THE BASIS AND NATURE OF OHIO TRADE SECRET LAW

A. A TRADE SECRET OWNER IN OHIO HAS THE RIGHT TO PREVENT A PERSON FROM USING THE TRADE SECRET ONLY WHERE IT WAS OBTAINED BY UNFAIR OR IMPROPER MEANS OR WHERE THE USE IS IN VIOLATION OF A CONFIDENTIAL RELATIONSHIP.

For almost one hundred years the courts of Ohio have recognized that a trade secret owner has the right to prevent one who takes his trade secret by improper or unfair means or by breaching a confidential relationship from using or divulging the secret. Most frequently, the trade secret owner has sought to prevent the use of the trade secret by a person who has received knowledge of it through a confidential relationship, as for example, during em-

ployment and then uses it in violation of such relationship. In the absence of any breach of confidential relationship, or obtainment by improper or unfair means, a trade secret owner has *no* right to prevent a third party from using his trade secret. In essence, the right protected is a right which derives from an obligation of fairness and not from a right in gross arising from the trade secret. The cornerstone of the cause of action is that a person's private information will not be taken from him wrongfully.

This was first expressed in Ohio by Judge Taft in *Cincinnati Bell Foundry Co.* v. *Dodds,* 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887), the earliest reported decision in Ohio.[1]

> "[H]e who discovers and keeps secret a process of manufacture, whether a proper subject for a patent or not, has a property in it which a court of equity will protect against one who in violation of contract and breach of confidence undertakes to apply it to his own use, or to disclose it to third persons. He has not an exclusive right to it as against the public or against

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[1] Although this brief is restricted to a review of Ohio trade secret law, it is well to note that the right of a manufacturer, whose goods are made by an unpatented secret process, to protection by injunction against the use and divulging of his secret in a proper case, is established by a well-considered line of cases in England and in the United States. The leading case is *Morrison* v. *Moat,* 61 Eng. Rep. 492 (Ch. 1851), decided by Vice Chancellor Turner in 1851, and affirmed in Court of Appeals by Lord Cranworth, 21 L.J., Ch. 248. Other English cases are *Merryweather* v. *Moore,* [1892] L.R. 4 Ch. 518; *Lamb* v. *Evans,* [1892] L.R. 3 Ch. 462. The leading case in the United States is *Peabody* v. *Norfolk,* 98 Mass. 452 (1868). Other early cases are *Tabor* v. *Hoffman,* 118 N.Y. 30, 23 N.E. 12 (1889), *O & W Thum Co.* v. *Tloczynski,* 114 Mich. 149, 72 N.W. 140 (1897); *Westervelt* v. *National Paper & Supply Co.,* 153 Ind. 673, 57 N.E. 552 (1900); *Salomon* v. *Hertz,* 40 N.J. Eq. 400, 2 A. 379 (1886); *C. T. Simmons Medicine Co.* v. *Simmons,* 81 F. 163 (C.C. Ark. 1897). Ohio's law of trade secrets finds its beginnings in *Peabody* v. *Norfolk, supra. Cincinnati Bell Foundry Co.* v. *Dodds,* 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887).

> those who, in good faith, acquire knowledge of it. . . . [I]t is settled that such a secret is a legal subject of property and that a bond to convey it may be legally enforced, thus fully recognizing that the inventor of a secret process may sell or assign it to another. It is indispensable to value in such a process, that the owner shall have the right to protect himself against persons who wish to use or disclose it in violation of contract or confidence." 19 Weekly L. Bull. at 84-85, 10 Ohio Dec. Reprint at 154-55. (Citations omitted)

Accordingly, there was established in Ohio three fundamental requirements for the protection of trade secrets: (1) the trade secret, whether patentable or not, must constitute proper matter for protection; (2) the person against whom relief is sought must have either violated or threatened to violate a contract or confidence not to disclose or use the secret; and (3) the matters for which protection is sought must be shown to be a secret. These three fundamental requirements of a cause of action have been maintained in Ohio for over 85 years.[2]

These requirements were repeated 15 years later and, in addition, Ohio law first recognized that trade secret protection is not commensurate with the protection afforded by a patent.

> "The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world. It is absolutely necessary that it should be protected and enforced by courts . . . .
>
> [I]f these patterns are trade secrets, then it cannot be permitted that the defendant company here should have the benefit of the same, . . . when the patterns were procured in the reprehensible manner charged and admitted . . . .

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[2] They are also codified in Section 1333.51 of the Ohio Revised Code (1967), which is reproduced in Appendix A.

> [A trade secret] is not protected by patent, for the secret then is made public, and the inventor is protected by letters patent from infringement thereof; while, as soon as anyone fairly and honestly discovers a trade secret, either by examination of the manufactured products sold or offered for sale to the public, or in any other honest way, that person discovering it has full right to use the same. That is the risk the owner takes, and if he would have further protection, he must seek it in a patent." *National Tube Co.* v. *Eastern Tube Co.*, 3 Ohio C.C.R. (n.s.) 459, 462 (Ct. App. 1902), *aff'd*, 69 Ohio St. 560, 70 N.E. 1127 (1903).

Cincinnati Bell Foundry Co. v. *Dodds, supra,* was followed in 1904 in *Recording & Computing Machines Co.* v. *Neth,* 7 Ohio N.P. (n.s.) 217 (C.P. 1904), to enjoin an employee from selling his employer's trade secrets; and *Seifried* v. *Maycox,* 14 Ohio Dec. 536 (Super. Ct. 1904), to enjoin a former employee who had taken plaintiff's trade secrets with him from disclosing or using the trade secrets for his own benefit; and in 1906 in *Holland Stock Remedy Co.* v. *Independent Chem. Co.,* 17 Ohio Dec. 207 (C.P. 1906), to prevent the use and threatened publication of wrongfully obtained trade secrets. By 1910 the law of trade secrets in Ohio had become fully established. *National Cash Register Co.* v. *Heyne,* 10 Ohio N.P. (n.s.) 465 (C.P. 1910).

Since 1910, the requirements first laid down by Judge Taft have been uniformly applied in the Ohio courts. *Monitor Stove Co.* v. *Williamson Heater Co.,* 18 Ohio App. 352 (1923); *Sandusky Foundry & Mach. Co.* v. *Wood,* 1 Ohio L. Abs. 409 (Ct. App. 1923); *French Bros. Bauer Co.* v. *Townsend Bros. Milk Co.,* 21 Ohio App. 177, 152 N.E. 675 (1925); *American Mortgage Co.* v. *Rosenbaum,* 114 Ohio St. 231, 151 N.E. 122 (1926); *Case* v. *Thomas,* 5 Ohio L. Abs. 308 (Ct. App. 1927); *White Baking Co.* v. *Snell,*

28 Ohio N.P. (n.s.) 172 (C.P. 1930); *Curry* v. *Marquart*, 133 Ohio St. 77, 11 N.E.2d 868 (1937); *Briggs* v. *Butler*, 140 Ohio St. 499, 45 N.E.2d 757 (1942); *Soeder* v. *Soeder*, 82 Ohio App. 71, 77 N.E.2d 474 (1947); *Patterson* v. *Pollack*, 84 Ohio App. 489, 84 N.E.2d 606 (1948); *Perfect Measuring Tape Co.* v. *Notheis*, 93 Ohio App. 507, 114 N.E.2d 149 (1953); *Hance* v. *Peacock*, 84 Ohio L. Abs 535, 169 N.E.2d 564 (C.P. 1960); *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 192 N.E.2d 99 (1963); *Fremont Oil Co.* v. *Marathon Oil Co.*, 92 Ohio L. Abs. 76, 192 N.E.2d 123 (C.P. 1963); *Albert B. Cord Co.* v. *S. & P. Management Serv., Inc.*, 2 Ohio App. 2d 148, 207 N.E.2d 247 (1965); *H. J. Sherwood, Inc.* v. *Fibeco, Inc.*, 13 Ohio Misc. 269, 234 N.E.2d 531 (C.P. 1967); and in the Sixth Circuit. *A. O. Smith Corp.* v. *Petroleum Iron Works Co.*, 73 F.2d 531 (6th Cir. 1934), *modified to increase scope of injunction*, 74 F.2d 934 (6th Cir. 1935); *John T. Lloyd Laboratories, Inc.* v. *Lloyd Bros. Pharm., Inc.*, 131 F.2d 703 (6th Cir. 1942); *W. R. Grace & Co.* v. *Hargadine*, 392 F.2d 9 (6th Cir. 1968); *Amberley Co.* v. *Brown Co.*, 408 F.2d 1358 (6th Cir. 1969). As the Sixth Circuit recently stressed:

> "The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. The protection is merely against breach of faith and reprehensible means of learning another's secret." *W. R. Grace & Co.* v. *Hargadine, supra*, quoting RESTATEMENT OF TORTS § 757, comment b (1939).

In the absence of proof that defendant's use of the secret stems from a breach of faith owed to the trade secret holder, liablity is nonexistent. *Grob Plating Co.* v. *Kent-Owens Mach. Co.*, 10 Ohio L. Abs. 367 (Ct. App. 1931). For ex-

ample, in *Amberley Co.* v. *Brown Co., supra,* a trade secret owner failed in an action for trade secret misappropriation because he failed to establish that defendant's use of the purported trade secret stemmed from knowledge obtained from the trade secret owner. Although KVP (The Brown Company's predecessor in interest) obtained the trade secret from a third party who was under a confidential relationship with Amberley Company, it did so without knowledge that the disclosure was in breach of a duty owed to Amberley by the third party. No confidential relationship owed by KVP to Amberley Company was breached, no improper means utilized, and hence, no liability.[3] In no reported case in Ohio has one been enjoined from using or divulging a trade secret who did not take the trade secret in violation of a confidential relationship or by improper means.

The rights recognized under almost one hundred years of Ohio common law provide Kewanee with a cause of action only against those who obtain its trade secrets through improper means or who use them in violation of a confidential relationship. The decision below failed to recognize this limitation on the exercise of the cause of action. Believing as it did that Kewanee sought in gross property rights in the trade secret, the result reached by the Court is not surprising. However, when viewed in the context of the basis for trade secret protection in Ohio, an appealing reason for finding preemption is eliminated. To conclude otherwise is to overlook or misinterpret a large body of established law to the contrary.

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[3] Of course, had the process been patented, these facts would be irrelevant and Amberley might have prevailed.

B. THE RIGHT TO PREVENT OTHERS FROM USING A TRADE SECRET OBTAINED BY IMPROPER MEANS OR USED IN VIOLATION OF A CONFIDENTIAL RELATIONSHIP EXTENDS ONLY SO LONG AS THE TRADE SECRET IS NOT A MATTER OF GENERAL KNOWLEDGE IN THE INDUSTRY.

A trade secret has an uncertain life. Its holder may assert his rights only so long as the secret is in fact a secret, i.e., not general knowledge in the industry. Others fairly learning of the trade secret, as for example, through independent effort or reverse engineering, are free to use the secret. So too are others free to use it if the trade secret owner releases the secret to the public or if the trade secret is obtained from one having the unrestricted right to disclose the secret. *Cincinnati Bell Foundry Co.* v. *Dodds, supra; National Tube Co.* v. *Eastern Tube Co., supra.*

Kewanee's rights are not unlimited in time as the Court below concluded, and Ohio does not afford protection against competitors who learn of the trade secret through the exercise of independent and proper means.

II. THE INTERESTS PROTECTED BY THE OHIO LAW OF TRADE SECRETS ARE DIFFERENT FROM, AND DO NOT CONFLICT WITH, FEDERAL PATENT POLICY.

The United States Patent Laws give to the patentee the right to exclude *all others* from making, using or selling the patented invention.[4] Ohio trade secret law provides a trade secret holder with a cause of action *only* against those who obtain his trade secrets through improper means or where the use is in violation of a confidential relationship, and then, *only* so long as the trade secrets remain secret. Ohio trade secret law does not prohibit or exclude fair competition, prohibit use of a trade secret by he who legitimately discovers or obtains it, or protect ideas in the public domain as did the state laws in *Sears, Compco* and *Lear, supra.*

The federal patent laws exist to encourage disclosure of invention. In exchange for disclosure, the inventor is rewarded a seventeen-year monopoly. *Universal Oil Products Co.* v. *Globe Oil & Refining Co.,* 322 U.S. 471 (1944). However, neither the federal patent laws nor the Constitution *require* disclosure of all inventions and discoveries. This Court has acknowledged that an inventor may either hold his discovery secret or opt for all the advantages and benefits afforded by the patent laws. *United States* v. *American Bell Telephone Co.,* 167 U.S. 224 (1897).

Ohio trade secret law, on the other hand, exists to deter dishonesty, immorality, criminal activity, breach of contract or fiduciary duty, unfair dealing, and fraudulent abuse of trust. The prevention of such activities is historically uniquely a state interest. The recognition of a cause of action in Ohio for theft of technology not in the public

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[4] 35 U.S.C. § 154 (1952).

domain and criminal prosecutions therefore is a judicial and legislative recognition that competition, however desirable, must be confined to competition by fair means. This has been well expressed by Ohio courts.

> "We are aware that under present economic conditions it is the purpose of the law to foster competition. . . . But the competition thus fostered and encouraged must be legitimate. With the unfolding of our social conscience, the ethical standard in the business world is being elevated. . . .
>
> We are demanding honesty of method and integrity of purpose in our industrial life. Misrepresentation and fraud elicit public condemnation. One who seeks to gain the confidence of the people must offer as a foundation for such confidence the merit of his own product and the honesty of his own methods. He can not in good conscience offer as his own that which he has not himself produced and which he has obtained by unconscionable means from those whose wares he seeks to displace." *Crown Overall Mfg. Co.* v. *Levy Overall Mfg. Co.*, 16 Ohio N.P. (n.s.) 561, 564-65 (Super. Ct. 1914), quoted with approval in *Fremont Oil Co.* v. *Marathon Oil Co.*, 92 Ohio L. Abs. 76, 86-87, 192 N.E.2d 123, 129 (C.P. 1963).

That this policy of the State of Ohio is not in conflict with federal patent policy of encouraging disclosure of inventions is evident. If Ohio trade secret law offered benefits greater than or even equal to the benefits afforded under the patent laws, it might be argued that Ohio gives to inventors protection which they could not obtain under the patent laws thereby making the reward of a seventeen-year monopoly nugatory and thereby discouraging disclosure of discoveries. However, as demonstrated above, the rights afforded by Ohio law are limited and do not approach the

advantages and benefits obtainable under the patent laws.[5] This Amicus respectfully submits that Ohio trade secret law does not give inventors an economic incentive for keeping their discoveries secret and, accordingly, that Ohio trade secret law does not conflict, either directly or indirectly, with the United States Patent Laws.

CONCLUSION

As demonstrated by the foregoing analysis, Ohio's recognition of a right to prevent the unprivileged use or disclosure of a true trade secret does not provide a trade secret owner with the right to prevent all others for an unlimited time from using technology in the public domain. It is impossible for this Amicus to believe that the drafters of our Constitution, the various Congresses which have approved statutes recognizing the existence of trade secrets, and the various members of this Court who have recognized the existence of trade secrets intended that competition should be based upon unfair practices or that the several States should be ousted from the exercise of their legitimate powers to promote free and fair competition and to raise the ethical standard of industrial life within their borders merely because a federal patent scheme exists. To so hold will be to foster industrial espionage, commercial piracy and the like, all of which will be greatly detrimental to the citizens of Ohio and to all citizens of the United States.

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[5] Moreover, the entire legal, philosophical and practical basis of Ohio trade secret law differs from that of the patent law. For the convenience of this Court these differences have been summarized in a Table appearing in Appendix B.

For the reasons stated, the judgment of the Sixth Circuit should be reversed, and the case remanded with instructions to affirm the decision of the District Court.

Respectfully submitted,

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December, 1973

APPENDIX A

1333.51 Theft or conversion of trade secret.

(A) As used in this section:

(1) "Article" means any object, material, device, or substance, or copy thereof, including any writing, record, recording, drawing, sample, specimen, prototype, model, photograph, blueprint or map.

(2) "Representing" means describing, depicting, containing, constituting, reflecting, or recording.

(3) "Trade secret" means the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, or improvement, or any business plans, financial information, or listing of names, addresses, or telephone numbers, which has not been published or disseminated, or otherwise become a matter of general public knowledge. Such scientific or technical information, design, process, procedure, formula, or improvement, or any business plans, financial information, or listing of names, addresses, or telephone numbers is presumed to be secret when the owner thereof takes measures designed to prevent it, in the ordinary course of business, from being available to persons other than those selected by the owner to have access thereto for limited purposes.

(4) "Copy" means any facsimile, replica, photograph, or reproduction of an article, or any note, drawing, or sketch made of or from an article.

(B) No person shall, with intent to deprive or withhold from the owner thereof the control of a trade secret, or with intent to convert a trade secret to his own use or the use of another, obtain possession of or access to an article representing a trade secret.

(C) No person, having obtained possession of an article representing a trade secret or access thereto with the owner's consent, shall convert such article to his own use or that of another person, or thereafter without the owner's consent make or cause to be made a copy of such article, or exhibit such article to another.

(D) No person shall, by force, violence, threat, bribe, reward, or offer of anything of value on or to another person or member of his family, obtain or attempt to obtain from such other person an article representing a trade secret.

(E) No person shall, without authorization, enter upon the premises of another with intent to obtain possession of or access to an article representing a trade secret.

APPENDIX B

COMPARISON OF NATURE AND PRACTICALITIES OF PATENT AND TRADE SECRET PROTECTION

	Patent Law	Ohio Trade Secret Law
Ideas Protected	A process, machine, manufacture, or composition of matter, or new use thereof.[1]	A formula, pattern, device, process, or compilation of information.[2]
Right Afforded	To exclude others from making, using or selling the invention throughout the United States.[3]	Not to have the secret made public by theft, bribery, stealth, or by breach of confidential relation. No exclusive right to it against the public or against those who, in good faith, acquire knowledge of it.[4]
Term of Right	17 years.[5]	Uncertain. Immediately ceases upon (a) disclosure to public by trade secret owner, (b) issuance of a patent disclosing the trade secret, (c) the trade secret becoming generally available to the public or to members of the industry, (d) acquisition from a third party having the legal right to convey the

	Patent Law	Ohio Trade Secret Law
		information, (e) acquisition from a third party without notice that it was a secret and that third party's disclosure was a breach of his duty or that third party obtained it by improper means, (f) discovery by examination of products sold or offered for sale to public, (g) discovery by any other fair and honest way.[6]
Requirements For A Successful Case	Proof of (a) patent grant, (b) ownership, (c) infringement.[7]	(a) Identify alleged secret, (b) proof that alleged secret is in fact a secret,[8] (c) adoption of security measures to assure secrecy,[9] (d) use of reasonable and enforceable agreements or other confidential relationships with those to whom the secret is revealed prohibiting disclosure of secret, (e) proof that defendant's use of secret was obtained from plaintiff by breach of contract or confidence or by other improper means,[10]

	Patent Law	Ohio Trade Secret Law
		(f) establish that the secret is not revealed by inspection or analysis of any marketed product,[11] (g) establish that defendant was or was threatening to use or disclose secret.[12]
Defenses	(a) Non - infringement, (b) invalidity for anticipation or obviousness.[13]	(a) Negation of any one of the above, (b) independent development by defendant or others.[14]
Presumptions	Presumption of validity.[15]	None.
Relief Available	Damages and injunction against any infringer from making, using or selling patented invention for term of patent. Can enjoin all competitors.[16]	Damages and injunction against he who obtained secret by improper means from using or disclosing secret. Cannot enjoin competition.[17] Injunction likely to be limited in time.[18]
Underlying Policy	Encourage discovery and disclosure of useful inventions.[19]	Deter dishonesty, immorality, criminal activity, breach of contract or fiduciary duty, unfair dealing, and fraudulent abuse of trust.[20]

[1] 35 U.S.C. § 101 (1952).

[2] *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 498, 192 N.E.2d 99, 104 (1963).

[3] 35 U.S.C. § 154.

[4] *W. R. Grace & Co.* v. *Hargadine*, 392 F.2d 9 (6th Cir. 1968); *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 192 N.E.2d 99 (1963); *Curry* v. *Marquart*, 133 Ohio St. 77, 11 N.E.2d 868 (1937); *National Tube Co.* v. *Eastern Tube Co.*, 3 Ohio C.C.R. (n.s.) 459 (Ct. App. 1902), *aff'd*, 69 Ohio St. 560, 70 N.E. 1127 (1903); *Cincinnati Bell Foundry Co.* v. *Dodds*, 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887).

[5] 35 U.S.C. § 154.

[6] Cases cited note 4 *supra*; *Amberley Co.* v. *Brown Co.*, 408 F.2d 1358 (6th Cir. 1969).

[7] 35 U.S.C. §§ 154, 271, 281.

[8] *Cincinnati Bell Foundry Co.* v. *Dodds*, 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887).

[9] *W. R. Grace & Co.* v. *Hargadine*, 392 F.2d 9 (6th Cir. 1968); *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 192 N.E.2d 99 (1963).

[10] *W. R. Grace & Co.* v. *Hargadine*, 392 F.2d 9 (6th Cir. 1968); *Cincinnati Bell Foundry Co.* v. *Dodds*, 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887).

[11] *National Tube Co.* v. *Eastern Tube Co.*, 3 Ohio C.C.R. (n.s.) 459 (Ct. App. 1902), *aff'd*, 69 Ohio St. 560, 70 N.E. 1127 (1903).

[12] *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 192 N.E. 2d 99 (1963).

[13] 35 U.S.C. § 282.

[14] *National Tube Co.* v. *Eastern Tube Co.*, 3 Ohio C.C.R. (n.s.) 459 (Ct. App. 1902), *aff'd*, 69 Ohio St. 560, 70 N.E. 1127 (1903); *Cincinnati Bell Foundry Co.* v. *Dodds*, 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (Super. Ct. 1887).

[15] 35 U.S.C. § 282.

[16] 35 U.S.C. §§ 283-84.

[17] *Curry* v. *Marquart*, 133 Ohio St. 77, 11 N.E.2d 868 (1937).

[18] *Fremont Oil Co.* v. *Marathon Oil Co.*, 92 Ohio L. Abs. 76, 192 N.E.2d 123 (C.P. 1963); *Monitor Stove Co.* v. *Williamson Heater Co.*, 18 Ohio App. 352 (1923).

[19] *Universal Oil Products Co.* v. *Globe Oil & Refining Co.*, 322 U.S. 471 (1944).

[20] Cases cited note 4 *supra*; *Fremont Oil Co.* v. *Marathon Oil Co.*, 92 Ohio L. Abs. 76, 192 N.E.2d 123 (C.P. 1963).

SUPREME COURT, U. S.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-187

KEWANEE OIL COMPANY, *Petitioner*

v.

BICRON CORPORATION, ET AL., *Respondents*

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

BRIEF FOR AMICUS CURIAE NATIONAL PATENT COUNCIL, INC., FOR ITSELF AND REPRESENTING NATIONAL SMALL BUSINESS ASSOCIATION, INC.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-187

KEWANEE OIL COMPANY, *Petitioner*

v.

BICRON CORPORATION, ET AL., *Respondents*

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

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BRIEF FOR AMICUS CURIAE NATIONAL PATENT COUNCIL, INC., FOR ITSELF AND REPRESENTING NATIONAL SMALL BUSINESS ASSOCIATION, INC.

INTRODUCTION

National Patent Council, Inc., (NPC) is filing this brief *amicus curiae* with the consent of all parties. Letters evidencing such consent are attached to the brief *amicus curiae* filed herein. NPC, in this matter, is also representing the National Small Business Association, Inc., (NSB) with which it is affiliated.

The Court of Appeals for the Sixth Circuit has ruled that the trade secret law of the State of Ohio—and, by the Court's reasoning, of the other States which have similar laws—is preempted by the United States Constitution and the Federal patent law. *Kewanee Oil Co.* v. *Bicron Corp.*, 478 F.2d 1074 (6th Cir. 1973). This Court has issued a Writ of Certiorari to the Sixth Circuit to review that opinion.

It is with great ambivalence and consequent reluctance that NPC submits this brief. The members of NPC and NSB employ both the patent system, as established by the Federal laws, and various applicable state trade secret laws as a means of obtaining a modicum of protection for their ideas and invention. As a result of their employment of trade secret laws, the members of the *amicus* have the same high personal interest evidenced and stated in the numerous other *amicus curiae* briefs already filed on behalf of the *petitioner*. However, on balance, NPC and NSB believe that the patent system serves their interest the best. It may be asked as to what does this mean with respect to the instant matter. It will become understandable when one considers that there has been a considerable denigration of the United Stats patent system, as evidenced by the fact that only twenty-eight percent of litigated patents are deemed to be valid by the Circuit Courts of Appeal. As a result, many of the members of NPC and NSB have regretfully turned to the alternative to the patent system for the protection of their ideas and inventions. The chief of such an alternative is based upon the various state trade secret laws and contractual arrangements between concerned parties; this alternate means will be termed merely trade secrets hereinafter.

Trade secrets give vent to a natural emotional inclination towards secrecy; are relatively easily defined; are simply maintained by one or more contractual arrangements with employees who basically are desirous of being faithful to the contract and want to do no wrong. When matters pertaining to trade secrets have been litigated, the owner of the trade secrets has been successful in forty-seven percent of the time. *John J. Mahon, Jr., Trade Secrets and Patents Compared, Journal of the Patent Office Society*, Vol. 50, No. 8, p. 536-553 at p. 540 (1968).

The patent system on the other hand requires honest disclosure, incurs considerable expenses, imposes a stringent standard of patentability and under current climate results in tenuous exclusivity, permitting the patent holder to be successful only twenty-nine percent of the time. *Journal of the Patent Office Society, supra.* Is it then any wonder that trade secrets have become a more often used tool in protecting inventions, including those that would ordinarily be patenable.

The members of NPC and NSB have come to the conclusion that on balance the patent system properly supported and recognized presents a more valuable road to achieving a degree of exclusivity that permits them to establish and exploit a market for the benefit of the members of the *amicus*, but also for the public interest in being provided with access to new items marketed and access to the information that resulted in the commercialized item. The members of the *amicus* have therefore concluded that the socio-economic benefit available from a respected patent system is greater than that achieved by the use of a trade secret system. As has been stated, the patent system commands less respect than heretofore. As a result, trade

secrets are now most prevalent alternate means for achieving protection for ideas and inventions. A reversal by this Court of the holding of the Sixth Circuit Court of Appeals will, by giving a Supreme Court imprimatur to trade secrets, lead to further disinterest in the patent system. If, as has been postulated, or at least implied, in the above, that there are defects or shortcomings in the patent system, this Court should not in essence be put to the posture of correcting deficiencies in the patent system by being asked to rule in a way which will encourage greater use of trade secrets, with concomitantly less respect for the patent system. The correction of the deficiencies found in any system for protecting inventions properly belongs to the province of the Congress. There are those that might argue that there is no valid relationship between protecting secrets by a trade secret system and a patent system. Nevertheless, both systems are designed to retain exclusivity over an idea or invention; this cannot be denied nor then can their relationship.

IDENTITY OF AMICUS CURIAE

NPC is a non-profit business association organized under the laws of the state of Indiana and maintains its principal offices at Suite 409, 1225 19th Street, N.W., Washington, D.C., 20036. NPC is an association comprising members, individuals, and companies. The individuals and companies through their employees utilize the patent system and are therefore interested in preserving it to its fullest extent. The reward of the grant of a patent is a property right giving the holder of the patent a right to exclude others from making, using, and selling the invention disclosed as claimed essentially within the framework

of one or more claims attached to the end of the disclosure (known as the specification) of the patent. In exchange for this property right, the inventor must disclose his invention in such a manner as to enable one skilled in the art to understand the invention. This enables others to design around the claims of the patent and, ultimately, to use the disclosure of the inventor to further technology.

The NPC members include such individuals as inventors, patent attorneys, and academicians throughout the United States. NPC company members include from small R&D companies up to and including the largest corporations. Moreover, NPC, through its affiliation with NSB represents on patent matters this 45,000 member organization whose membership includes establishments in hundreds of different business categories. The membership qualifications of the National Small Business Association are parallel to those employed by the Small Business Administration in designating small business.

INTEREST OF AMICUS CURIAE

The aforementioned membership of NPC and NSB have a material concern in the ultimate outcome of the decision to be rendered by this Court in the instant matter. If the position of the Circuit Court is not sustained,

(1) "Patentable" inventions would be maintained as trade secrets, perhaps indefinitely, and thus provide monopolies for an unlimited length of time for the inventors, rather than the seventeen year right of exclusion provided for in Title 35 U.S.C. NPC and NSB would be denied access to such patentable inventions for an indefinite period.

(2) Technological advances and innovations would be kept secret for the use only of the developers and by the licensees of the developer; without publication and dissemination of information, advances in technology will be severely curtailed. NPC and NSB would not have access whereby new improvements and new discoveries could be made with public knowledge constituting a base.

(3) Mobility of technical employees will be interfered with, as companies will be reluctant to hire away competitors' employees and employees will in turn be reluctant to seek other employment for fear of legal action to protect former employer's trade secrets. NPC and NSB will be denied increased membership as employees will be discouraged from starting their own small businesses.

QUESTION TO BE RESOLVED

Do the patent laws passed by the Congress of the United States based on the Constitutional provision, Article I, Section 8, Clause 8, preempt under the supremacy clause of the Constitution, Article VI, Clause 2, the state laws, especially the state of Ohio, pertaining to trade secrets whereby those who violate or are about to violate said state laws may be enjoined from using trade secrets obtained due to contractual and/or employment agreements?

I. FEDERAL PATENT LAW PREEMPTS STATE TRADE SECRET LAW

A. Trade Secrets and Patents Accomplish a Similar Purpose

Prior to the adoption of the Constitution, several states, including New York, had granted patents, giving the owner of the patents exclusive rights in the invention within the limits of the states. However,

when the Constitution was adopted, provision for a federal patent system was made one of the enumerated powers of Congress, in Article I, Section 8, Clause 8, which reads:

"The Congress shall have power . . ."

"To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;"

Of course, in order to achieve uniformity in those areas in which Congress was to act, the Constitution provided that state law was to be subordinated to federal law where Congress had seen fit to act. Specifically, the Supremacy Clause, Article VI, Clause 2, provides that:

"This Constitution, and the Laws of the United States which shall be made in pursuance thereof, and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every state shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding".

Federal patent law preempts state protection of intellectual property, as federal policy embodied in the federal statutes and Constitutional provisions may not be set at nought by state law. *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U.S. 173 (1942). Congress acted under its Constitutional mandate to provide for protection of inventors' discoveries in the guise of the present Patent Act, Title 35 U.S.C. §§101 et seq. In that Act, the requirements for patentability, i.e., what Congress considered to be protectible, were clearly enumerated. Had Congress wished to protect

inventors' discoveries by protecting trade secrets, provisions for such protection would have been made in the present patent statute.

Article I, Section 8, Clause 8, does not define the method to secure to inventors the exclusive right to their discoveries. Neither the term patents nor the phrase trade secrets appears in the clause. The Congress of the United States has chosen to accomplish the purpose through the patent laws. It is submitted that the Congress could have accomplished the Constitutional purpose by in fact employing essentially the same type of terminology and verbiage found in most state trade secret laws. On the other hand, it is undoubtedly universally admitted that due to the supremacy clause the states could not validly pass laws that would in fact be called "state patent laws." In recent years the law has sometimes recognized that trade secrets is a kind of private patent. S. C. Gilfillan, *Invention and the Patent System presented for consideration of the Joint Economic Committee Congress of the United States 88th Congress 2d Session*, p. 153 (1964). Obviously, the test between patents and trade secrets is not whether the words are the same—they are not—but, as the Constitution is silent with regard to the words, the test should be whether both through the operation do the same thing, i.e., promote the progress and useful arts by securing for limited times to inventors the exclusive right to their discoveries (a paraphrase).

B. Even Though Congress Has Acted Under the Constitution Competition Continues to be A Paramount Concern

Congress clearly demonstrated its desire to exercise its full grant of constitutional power in enacting the patent statutes. Its constitutional power could

have been exercised in one of two ways: either by protecting all intellectual property, e.g., the species thereof, namely, patents, including protecting some forms of intellectual property as secrets by providing for injunctions to maintain the intellectual property in confidentiality, or by protecting only those ideas which meet certain standards defined by Congress for patentability and leaving open to competition all other forms of intellectual property. In *Sears, Roebuck, & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), and its companion case, *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234, 140 USPQ 528 (1964), the Court determined that, with respect to patents, the ordinary practice of legislative construction could not be used because of the overriding interest in enhancing competition. In view of the importance of not imposing unnecessary restraints on competition, the Court adopted in those cases a rule of construction providing that, unless Congress' failure to provide patent protection for some class of works could clearly be shown to reflect a judgment that state regulation was permitted, the silence of Congress would be taken to reflect a judgment that free competition should prevail. It is obvious from *Sears* and *Compco* that Congress has decided that free competition should be the general rule, unless it is convinced that the failure to provide patent or trade secret protection is hindering "the progress of science and useful arts".

In *Sears*, the Court held that the federal patent statutes reflect a Congressional determination that "the progress of science and useful arts" is best served by limiting the right to exclude others from new developments to "genuine invention," and that for a period no longer than fourten or seventeen years,

and that states may not "under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of federal patent laws." 376 U.S. at 231, 140 USPQ at 58.

The Supreme Court noted in *Sears* that with respect to every particular item within general classes enumerated in the relevant statutes, Congress balanced the need to promote invention against the desire to preserve free competition, and had concluded that it was in the national interest to preserve competition as to every item that could not be patented. That is, the fact that some item could not be patented demonstrated that, in the judgment of Congress, it was best to let competition in the production of that item go unrestricted.

The original objective of granting exclusive rights to a patentee was to benefit the public or community at large. *Kendall* v. *Winsor*, 62 U.S. 322 (1858). The basis of the United States industrial system is a free economy. The encouragement of technological advancement is vital to the maintenance of our economic system and of our industrial productivity. The patent statutes foster this technological advancement within the free economy by requiring full disclosure of the invention as a condition to the grant of exclusivity, so that at the end of the period of exclusivity the development may be freely available. 35 U.S.C. §§101 et seq. These statutes reflect Congressional determination that any individual or social interests which may be served by secrecy are outweighed by those served by full disclosure, for if dissemination of technological information is impaired, competition is fettered and it is the public which is ultimately injured, *Abbott Laboratories* v. *Norse Chemical Corp.*, 33 Wis.2d 445, 147 N.W.2d 529, 152 USPQ 640 (1967).

The free flow of information provided by patent disclosure is of particular importance to NPC and NSB members, many of whom are small businesses founded on patents. When a patent issues, industry is informed of the new development embodied in the patent and often recognizes a commercial trend wherein patentable improvements are possible. To cite merely one example, whole new industries have been developed based on patented processes in oil refining. Research is fostered because its findings can be protected by patents, and publication of results can be more complete and widespread, thus cutting down duplication of work and furnishing a basis for further study and experimentation. For fifty cents, anyone can purchase a patent, which gives complete and detailed information as to the nature of the invention. The alternative to patents is secrecy, and piracy of processes and methods would become common practice as a necessity to compete. Systems of espionage would develop for obtaining information on new processes and products so that they could be used by competition without consideration of inventors' rights. Manufacturing concerns could easily be put out of business by such thefts. Under such conditions, it is questionable whether small businesses could survive. Those employed in industries would be enjoined from normal discussion of their work either outside or inside of their company, and cooperative research efforts would be frustrated. One invention always promotes others, and inventors react catalytically on one another. Dr. Gustav Egloff, Invention and the Oil Industry, *Journal of the Patent Office Society*, Vol. 26, p. 834 (1944).

The chaos which would result from industry's reliance on trade secret protection rather than on patent protection was recognized by Mr. Abe Fortas in 1971, who stated,

"Unless we can fashion a patent system in which genuine invention and the public disclosure of invention are fostered and promoted, and the appropriate exploitation of invention is protected, we will garner not the fruits of competition, but the chaos of guerrilla warfare and the stagnation of a closed and secret industrial society": *Speech before Association of Corporate Patent Counsel*, January 19, 1971.

C. Trade Secrets By Encouraging Secrecy Hinder Inventive Progress

Disclosure of the invention in return for a period of exclusivity provides another benefit to the public, as those coming later are able to improve on what is disclosed or to design around it to avoid infringing a patent. *Merrill* v. *Yeomans*, 94 U.S. 568 (1876). Of course, at the end of the seventeen year life of a patent, the development is freely available to all. 35 U.S.C. §154.

The patent statutes reflect a Congressional determination that any individual or social interests which may be served by secrecy are outweighed by those served by full disclosure. This was recognized early in the history of the patent statutes by this Court, where it was noted that the inventor who keeps his invention secret by applying it indefinitely and exclusively for his own profit comes not within the policy and objects of the Constitution, or acts of Congress. He does not promote, and, if aided in his design, would impede the progress of science and the useful arts. And with a very bad grace could he appeal for favor or protection to that society which he had neither benefited nor intended to benefit. *Kendall* v. *Winsor*, 62 U.S. 322, 328 (1858). Very clearly, then, state law providing protection for trade secrets cannot be ap-

plied to serve a premise that a balance of the interests favor secrecy. State law protecting trade secrets cannot be based on a policy of rewarding or encouraging development of secret processes or devices—such protection can merely be against breach of faith and reprehensible means of learning another's secret. *Winston Research Corp.* v. *Minnesota Mining and Manufacturing Co.*, 350 F.2d 134, 146 USPQ 422 (9th Cir. 1965).

There can thus be no legally protectible interest in the secrecy of industrial information as such, as distinguished from an interest in the integrity of confidential employer-employee relations, *Sears*. No matter how compelling the reasons, states cannot give protection of a kind that clashes with the objectives of the federal patent laws under the Supremacy Clause of the Constitution. The Seventh Circuit decision that was reversed in *Sears* was based on protecting the state's interest in commercial honesty. The Supreme Court made it clear in *Sears*, however, that interests in commercial morality were not sufficient to prevent a holding of preemption if a conflict between protecting such interests and a federal patent policy were found.

This is not to say that an owner of an invention does not have an absolute right to keep the idea secret and for his own benefit exclusively. However, it is completely another thing to argue that the owner of the invention has an absolute right to lawfully disclose his invention to third parties, such as employees or licensees, and then assert that he has an absolute right to the protection of the confidentiality of the relationship he has created in order to commercially exploit the invention and to employ the courts for anticompetitive practices, such as an injunction may afford.

D. There is Not a Sufficiently Large Local Interest to Permit State Action

In *Goldstein* v. *State of California*, ——U.S.——, 93 S.Ct. 2303, 178 USPQ 129 (1973), this Court held that federal copyright law does not preempt state copyright protection because, in the case decided, there was enough local interest involved to justify purely local copyright protection for the material involved. This decision is being used to justify the position that federal patent law does not preempt state trade secret law.

However, the rationale of *Goldstein* in holding no federal preemption for copyrights cannot be applied to patents. Federal patent law was designed to give an exclusive right to use a technological type of intellectual property, i.e., process, machine, article of manufacture, and there can be no purely local interest in technology.

Moreover, the analogy cannot be drawn between patents and copyrights, because of the vastly different nature of the protection afforded. A patent gives an exclusive property in the art described therein after examination by the Patent Office. This exclusive property can only be secured by a patent from the government. A copyright, on the other hand, only gives the exclusive right of printing and publishing, and gives no exclusive rights to anything described therein. *Baker* v. *Selden*, 101 U.S. 99 (1879).

II. JUDICIALLY PROTECTED TRADE SECRETS ARE MANIFESTLY UNFAIR

A. Trade Secrets May Prolong Monopoly for an Unlimited Length of Time

Trade secrets as such should not be given protection by the courts because such protection puts a burden on competition by suppressing the flow of technologi-

cal information for an indefinite length of time. In the interest of uniformity and unburdened competition, relief for trade secret violations by way of damages or injunction should not be allowed. *Van Products Co.* v. *General Welding & Fabricating Co.*, 419 Pa. 248, 213 A.2d 769, 147 USPQ 221 (1965).

Both trade secrets and patents are means to obtain a competitive advantage, in that both give to their owners exclusive exploitation of ideas. A patent owner can make something or utilize a process because no one else is permitted to for a statutorily prescribed length of time, but a trade secret owner can make something or utilize a process which no one else can because no one else knows how, and this exclusivity can theoretically last forever. While the patent owner has exclusivity created by law for a limited time, the trade secret owner has a monopoly in fact, which lasts until the secret is made public either by disclosure thereof by the owner or someone to whom he has disclosed the secret, or by someone who discovers the secret independently. An example can be given of a process for smelting ore, wherein a process is developed to make the entire operation vastly more economical, yet the end product is the same. By inspection of the ultimate product there is no way to determine the process used in obtaining it, and there is thus no way to reverse engineer the product to discover the secret. Because there is theoretically no time limit to the length of a trade secret monopoly, judicial protection of trade secrets runs counter to the rationale of the patent system wherein the period of exclusive right to practice the invention is limited by statute to seventeen years. It should be noted that it is the availability of *permanent* injunction which induces the inventor to elect protection via trade secret

law. Adelman, *American Patent Law Association, Quarterly Journal*, Vol. 1, No. 4, Fall (1973), p. 295, Secrecy & Patenting: Proposals for Resolving the Conflict.

B. Trade Secrets Inhibit Job Mobility of Technically Trained Personnel

The law of trade secrets has developed in large part to deal with a particular problem in American industry-employee mobility among key employees of an industrial concern. When an employee changes jobs, it is inevitable that some of the employee's previously acquired knowledge will be made available to his new employer. One of the problems that arose under the concept of trade secret protection was where do trade secrets begin and the employee's intellectual tools of the trade end? Two conflicting social and economic philosophies must be balanced: protection of rights in proprietary knowledge gained by research and initiative versus the interests in free competition and use of an individual's skill for his own benefit and the benefit of the general public. *Space Aero Products Co.* v. *R. E. Darling Co., Inc.*, 208 A.2d 74, 145 USPQ 356, 238 Md. 93 (1965).

All knowledge gained by an employee during the course of his employment is not a trade secret, even though the employer may feel that many trade secrets are involved. The employee's relationship to the employer may be confidential, but not the knowledge. It has long been accepted that that which by experience has become a part of a man's general knowledge cannot and ought not be enjoined from further and different uses. Law of trade secrets is not designed to be used by employers to retain emplyoees by the threat of rendering them substantially unemployable

in the field of their experience should they decide to resign. *Cudahy Co.* v. *American Laboratories, Inc.*, 313 F.Supp 1339, 167 USPQ 230 (D. Nebraska, 1970). In our free economy, social mobility is a chief characteristic. An employee who is dischargeable at will is under no obligation to treat his employer otherwise or with more consideration than he can be treated by him. By overstrict restriction of use of skills and knowledge, we create a monopoly of first users, an undesirable situation in our society if we acknowledge the desirability of encouraging individual business enterprises and initiative, which we do. *Schulenberg et al, doing business as Time-O-Matic Co.* v. *Signatrol, Inc.*, 167 F.Supp. 20 (E. D. Ill. 1958), aff'd 267 F.2d 388 (7th Cir.), cert. denied, 361 U.S. 886 (1959).

The basis of trade secret protection is an attempt to enforce morality in business, a worthwhile motive, but as discussed *supra* the state laws favoring trade secrets have been preempted by the federal patent statutes. Notwithstanding federal preemption, trade secret doctrine, under the guise of unfair competition, deals with an area that is nebulous as to guidelines to be applied.

The policy reasons for protecting trade secrets are to prevent exploitation of competitors by reprehensible business methods and to encourage innovation. *Water Services, Inc.*, v. *Tesco Chemicals, Inc.*, 410 F.2d 163, 162 USPQ 321 (1969 5th Cir.). The problem with this rationale for protecting trade secrets is that there will be much less innovation when everyone is working in secret than when inventions are disclosed in exchange for protection as envisaged by the patent laws. Innovation is spurred by the free exchange of ideas, and if discoveries which are patentable are not

afforded protection as trade secrets, the inventors will turn to the patent system for protection. Then, in exchange for the limited exclusivity afforded by the patent, they will disclose their invention so that all may practice it after seventeen years. Additionally, while the patent is still in force, others may use the patentee's disclosure to make improvements on the basic idea, or may find ways to design around the property rights defined by the patent claims and thus avoid infringement during the life of the patent. It is difficult to imagine this type of free exchange of technological information when everyone is conducting operations in secret. As exchange of information is vital to technological development, secret operations put a substantial limit on development and also on innovation.

This is not to say that a person *must* disclose all of his ideas immediately. Rather, in the interest of preserving a free economy and encouraging technological development through free exchange of ideas, those who wish protection of allegedly patentable inventions must obtain such protection from the patent system rather than relying on courts to enforce trade secrets.

There should be no judicial recognition of a legally protectible interest in secrecy of industrial information as such, as distinguished from an interest in integrity of confidential employer-employee relations. *Sears, Roebuck & Co.* v. *Stiffel Co.*, *supra*.

Restrictions on the use of information acquired in the course of a terminated employment relationship limit the employee's employment opportunities, tie him to a particular employer, and weaken his bargaining power with that employer. Such restrictions inter-

fere with the employee's movement to the job in which he may most effectively use his skills. They may inhibit an employe from either setting up his own business or from adding his strength to a competitor of an employer, and thus diminish potential competition. Such restrictions impede the dissemination of ideas and skills throughout the industries. The burdens which they impose on the employee and society increase in proportion to the degree of the employee's specialization and significance of his accomplishments.

The skill and knowledge obtained by an employee in the course of employment are not the employer's property, but belong to the employe. The employee has an unqualified privilege to use technical knowledge acquired by virtue of employment. *Wexler et al, trading as Buckingham Wax Co.* v. *Greenberg*, 399 Pa. 569, 160 A.2d 430, 125 USPQ 471 (1960).

The major problem is the attempt to balance the right of the businessman to be protected against unfair competition stemming from usurpation of his trade secrets and rights of the individual against the rights of the individual to the unhampered pursuit of occupations and livelihood for which he is best suited. *Any* form of post-employment restraint reduces the economic mobility of employees and limits their personal freedom to pursue a prefered course of livelihood. The employee is potentially shackled by the acquisition of the alleged trade secrets, and thus he is restrained because of his increased expertise from advancing further in the industry in which he is most productive. Society suffers because competition is diminished by slackening the dissemination of ideas, processes, and methods.

The sentiment of the law heavily favors protecting the individual in the unrestricted pursuit of a livelihood over protecting a businessman from certain forms of competition. The individual can be protected as well as the businessman by requiring the utilization of the patent system, in which the buinessman's intellectual property rights are secured, yet the individual is permitted to freely advance in his area of expertise.

Of course, there is no incentive to use the patent system if trade secret protection is available to protect intellectual property which could otherwise be patented. For a corporation willing to take the precautions required to protect a trade secret, there is the possibility of a monopoly for an unlimited amount of time on utilization of the trade secret. This unlimited monopoly runs counter to the intent of the federal patent system which requires complete disclosure of the invention to the public in exchange for the limited right of exclusivity of the invention.

C. Trade Secrets Give Uneven Protection

By employing state trade secret law as a substitute for patenting, certain categories of inventions would receive privileged protection under that law. Thus devices could not be protected after they are put on the market, because inventions which by their nature cannot be put into commercial use without disclosure cannot be kept secret. Those that can be maintained secret, such as a proces, are eligible for trade secret protection. *Winston Research Corp.* v. *Minnesota Mining & Mfg. Co.*, 350 F.2d 134 (9th Cir. 1965).

It has been argued that the public is not adversely affected by secrecy because everyone is, after all, free to reinvent, and thereby to obtain the invention free

of any claim by the first inventor. Even if a second inventor comes along, he, to, is free to opt for secrecy. There is but little assurance that a patentable invention will be reinvented. By definition, such an invention is one that is not obvious to one skilled in the art, even if that person is fully conversant with all the pertinent prior art. 35 U.S.C. §103. Therefore, the possibility of reinvention is of significance only with respect to obvious (i.e., unpatentable) technology. By definition, with time, money, and effort such technology can be duplicated by anyone skilled in the art. 35 U.S.C. §103. It does not protect the public as far as patentable inventions are concerned because they are not obvious and hence not readily reinvented. The trade secret holder will gamble on the fact that the invention is not likely to fall into the public domain. An invention not discernible from the product, such as a process lends itself to trade secret protection, as was attempted in the instant matter. While a limited range of matter is appropriate for trade secret licensing, within that range trade secrets are cheaper to obtain and may have distinct licensing advantages in comparison to patents. Milgrim, *Trade Secret Protection and Licensing—A True Alternative*, 4 *Patent Law Review*, 375, 391 (1972).

III. THERE IS JUSTIFICATION UNDER CERTAIN CONDITIONS OF STATE INTRUSION INTO FEDERAL POLICY

A. A Trade Secret Holder May Obtain Damages For Unfair Competition

Even in the absence of trade secret protection, the businessman is not without protection for unfair competition. The leading case on trade secret law, *E. I. duPont de Nemours and Co.* v. *Masland*, 244 U.S. 100, 37 S.Ct. 575, 61 L.Ed. 1016 (1917), recognized the dichotomy between protecting the trade secret as a prop-

erty right, in conflict with the patent statutes, and protecting a confidence. The court said that, in a trade secret case, the starting point is not the property, but the confidential relations involved. This philosophy has been recognized up to the present time, when the 7th Circuit remarked that a trade secret, unlike a patent or copyright, has no proprietary dimension. A suit to redress theft of a trade secret is grounded in tort, with the act of theft comprising the misfeasance against which the law protects. *Northern Petrochemical Co.* v. *Tomlinson*, —— F.2d ——, 179 USPQ 386, 7th Cir. (August 28, 1973).

Among the well-established remedies for torts resulting from inducing breach of confidence with regard to trade secrets, even if the trade secret per se is not protectible, are compensatory damages for breach of express or implied in fact contract, compensatory damages for inducing breach of contract, punitive damages for inducing breach of contract, and damages for conspiracy and deceit. Oppenheim, *Unfair Trade Practices*, 2nd ed., West Publishing Co., St. Paul, Minn., 1965, p. 261.

In the case in which a wrongdoer acquires a secret from an employee who has himself acquired it lawfully, the wrong consists in inducing the employee to break a specific contract or to be disloyal to a confidence reposed in him. In either instance it is a species of tort, recognized for over a century, of inducing an obligor to default upon an obligation.

When an employee who stands in a relationship of trust and confidence to his employer steals an invention, there has been an unjust enrichment of the employee or of the person to whom the employee imparts the confidential information. The only type of protection that can be given for trade secrets that is not

preempted by the federal patent statutes is in the realm of unfair competition, i.e., by breach of contract not to reveal, or abuse of confidence, or impropriety in obtaining the secret. *Cataphote Corp.* v. *Hudson*, 422 F.2d 1290, 165 USPQ 41, 5th Cir. (1970).

Any state law affording further protection, e.g., to enjoin those who obtain the secret by unfair means from using the secret information, has been preempted by the federal patent laws. A trade secret can thus only be protected by being kept secret. The protection of the owner of the trade secret is based on equity—the secrets obtained by the wrongful means are not protected.

B. States May Still Protect Inventors Against Commercial Immorality

The Restatement of Torts lists protection of commercial morality as the sole basis of trade secret protection under the law of unfair competition; inter alia:

Restatement of Torts (1938) §*757*, Comment (a) which states as follows:

. . ."It is employment of improper means to procure the trade secret, rather than the mere copying or use, which is the basis of the liability . . .".

It might be argued that such protection stimulates the development of technology by preventing its misappropriation. With respect to patentable inventions, this argument has little cogency. There is no reason for believing that potentially secret inventions need additional incentives to insure their creation and commercialization beyond those provided by the patent system.

The states have already amply provided laws to protect inventors against commercial immorality. Such

laws proscribe a wide range of immoral conduct. They prohibit outright theft and industrial espionage. In this fashion trade secrets found in documents or other physical objects are protected against forceful physical takings through breaking into a plant to steal them, or from wrongful copying, use, or sale of documents by one having access to them. *Restatement of Torts* (1938) §757. Under general federal and state criminal statutes, such conduct may be criminal as well as illegal under the law of unfair competition. Milgrim, *Trade Secrets*, Matthew Bender, New York (1967), §1.10.

IV. TRADE SECRETS, THE PATENT SYSTEM AND SMALL BUSINESS

Small business would be the last to deny that they do not harbor intellectual property which may be called trade secrets. However, small business would be the first to admit that when it comes to that species of intellectual property termed patentable inventions, they are highly dependent on that form of protection when an invention is commercialized. The large business's ability to reinvent and to employ economic clout is awesome and on both counts is frequently successful.

A loss of a trade secret to a small business enterprise is much more devastating to it than to a large business. First of all, the trade secret loss may lead to a complete demise of the business. Secondly, the pursuit of litigation is not only expensive but often meaningless as the practice of the trade secret may be already widespread. Small business' counter move is to obtain patent protection.

Large business through the numerous *amicus curiae* briefs filed on behalf of the petitioners have stated a

belief in the need for their purposes of trade secrets. Yet, when small business approaches large business with an idea or invention, large business demands that such idea or invention will be reviewed if the submission is made on a non-confidential basis. Small business can and must rely on its patent position and does so rely.

CONCLUSION

As Congress has enacted the patent laws in accordance with its constitutional authority, the Supremacy Clause of the Constitution requires that no state has a right to authorize any kind of monopoly on what is claimed to be a new invention, except when a patent has been obtained from the Patent Office under the exacting standards of the patent laws. One who makes a discovery may, of course, keep it secret if he wishes, but private arrangements under which self-styled "inventors" do not keep their discoveries secret, but rather disclose them in return for contractual payments, run counter to the plan of our patent laws, which tightly regulate the kinds of inventions that may be protected and the manner in which they may be protected. The national policy expressed in the patent laws, favoring free competition and narrowly limiting monopoly, cannot be frustrated by private agreements among individuals, with or without the approval of the courts. *Lear, Inc.* v. *Adkins,* 395 U.S. 653 (1969).

This Court now has an opportunity to decide what it reserved for future decision in *Lear* v. *Adkins*, namely, whether the courts should protect the monopolies resulting from court-enforced trade secrets as well as the limited exclusivities granted to patentees in exchange for full disclosure of their inventions.

This case presents this Court with the occasion for bringing the *Sears* and *Lear* series of cases to their logical conclusion, i.e., that state trade secret law for otherwise patentable inventions is preempted by federal patent law.

Finally, NPC and NSB would recommend a decision essentially sustaining the 6th Circuit Court of Appeals with the following language being considered:

Under the Congressionally enacted patent laws the invention per se is protected. Under state trade secret laws the invention or idea may not be protected per se. The theft of an invention of a patentable nature incurs a tort indentifiable as unfair competition or the ignoring of a confidential relationship is grounded in a breach of contract. Both species give rise to a chose in action which may provide monetary damages but should not include enjoinment of the use of the idea or invention itself as this would indeed render protection to the idea or invention per se.

Respectfully submitted

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October 18, 1973

Barry L. Springel, Esq.
Jones, Day, Cockley & Reavis
1750 Union Commerce Building
Cleveland, Ohio 44115

Re: Kewanee Oil Co. v. Bicron Corp. et al

Dear Mr. Springel:

In accordance with our telephone conversation of October 18, 1973, I am requesting your permission to file a brief *amicus curiae* in the above-identified case on behalf of the National Patent Council

The National Patent Council supports the affirmance of the decision of the Court of Appeals for the Sixth Circuit.

Very truly yours,

/s/ ANNE M. KORNBAU
Anne M. Kornbau

AMK/sm

Petitioner hereby consents to the filing of a brief *amicus curiae* in Kewanee Oil Co. v. Bicron Corp. et al No. 73-187.

/s/ BARRY L. SPRINGEL
Barry L. Springel
Counsel for Petitioner

NATIONAL PATENT COUNCIL
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October 18, 1973

Wm. C. McCoy, Jr., Esq.
Bosworth, Sessions & McCoy
625 National City Bank Building
Cleveland, Ohio 44114

Re: Kewanee Oil Co. v. Bicron Corp. et al

Dear Mr. McCoy:

In accordance with our telephone conversation of October 18, 1973, I am requesting your permission to file a brief *amicus curiae* in the above-identified case on behalf of the National Patent Council.

The National Patent Council supports the position of Bicron Corp. and supports affirmance of the decision of the Court of Appeals for the Sixth Circuit.

Very truly yours,

/s/ ANNE
Anne M. Kornbau

AMK/sm

Respondent hereby consents to the filing of a brief *amicus curiae* in Kewanee Oil Co. v. Bicron Corp. et al No. 73-187.

/s/ WM. C. MCCOY, JR.
Wm. C. McCoy, Jr.
Counsel for Respondent

SUPREME COURT, U. S.

Supreme Court of the United States

October Term, 1973

No. 73-187

KEWANEE OIL COMPANY,
Petitioner,

vs.

BICRON CORPORATION, *et al.*,
Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF FOR RESPONDENTS

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